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BEARINGS
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NEWS SUMMARY

GENERAL

New move on Tehran hostages

The death of the former Shah will make a difference to the U.S. Embassy staff held hostage, says a senior Iranian official.

Mr. Akbar Hashemi-Rafsanjani, second most important figure in the Islamic Republic Party, said a parliamentary commission would consider the question next week.

Attention is now shifting towards achieving the return of the Shah's fortune.

A commission is being set up to discuss candidates for Prime Minister. Back Page

Blow for TUC

The construction sector of the engineering workers' union has rejected TUC proposals for a compromise in the Isle of Grain power station dispute. The situation could lead to its suspension from the TUC. Back Page

Turkish refugees

About 100,000 Turks have applied for political asylum in West Germany in the past 18 months, say diplomatic sources in Turkey. Germany has brought in a visa system for entry, to begin in October, which will apply to Turks, Indians and Bangladeshis.

New-type tunnel

Anglesey is to be linked to the mainland by a novel "submerged tube" tunnel. It will cost £77m. A bridge would have been £15m cheaper, but Conway Castle and the town's medieval walls would have been at risk. Page 8

Dies at 110

Britain's oldest woman, Mrs. Constance Young, widow of a former chairman of Young's Brewery, has died at Winchester, aged 110.

Defrauded school

Managing director of a Hampshire school for maladjusted children, Samuel Freeman, an Australian who helped develop heart pacemakers, defrauded it of nearly £200,000 and the Inland Revenue of at least £60,000. He was sentenced at Winchester to three years' jail.

Wells beaten

Allan Wells, the Scot who won the 100 metres in the Moscow Olympics, took the 200 metres silver—Italy's Pietro Mennea beat him by two-hundredths of a second. Zimbabwe, called up for the women's hockey after boycott withdrawals, are favourites for the gold, having beaten USSR 2-0.

England slip

England, who led by 103 when they put West Indies out for 265 at The Oval, squandered their advantage by losing four second innings wickets for 20 in the Fourth Test. Today is the last day.

Fore, you chaps!

Afghanistan is offering six armed guards for UN experts travelling to play golf 10 miles outside Kabul.

Briefly...

Eleven telephone addlers were fined a total of £1,910 after a Torquay landlady's suspicions had been aroused.

Mobil Oil experts doused a 31-month gas fire in Sumatra that has wasted more than £4m.

Three Welsh academics who caused £173 damage at a TV relay station were fined £500 each at Carmarthen.

South African grandmother Mavis Hutchinson, 55, set out on a John O'Groats-Land's End run.

Eleven were killed in a tribal battle between goldminers near Johannesburg.

BUSINESS

\$ up as £ falls; Gold \$6 lower

● DOLLAR was firmer despite Friday's cut in Federal Reserve discount rate from 11 to 10 per cent, with the market hoping U.S. interest rates had touched their lowest. U.S. dollar rose to DM 1.7400 (DM 1.7390) and Sw Fr 1.6080 (Sw Fr 1.5980). Its index rose to 83.9 (83.5). Page 26

● STERLING eased to \$2.3865 (\$2.3915) in line with Continental currencies and its index fell to 75.2 (75.3). Page 26

● GOLD fell \$6 an ounce to \$644.50 in London. Page 26

● GILTS were steady with trade reasonable in shorts, which ended in better. The F.T. Government Securities index rose 0.10 to 72.26. Page 32

● EQUITIES were quiet at the start of the new Account with leading banks and some oil shares depressed. The F.T. 30 share index shed 1.4 to 485.9 and the Gold Mines index lost 5.3 to 378.1. Page 32

● WALL STREET was 4.01 higher at \$22.10 shortly before the close. Page 30

● COCOA PRICES continued their decline on the London market with September futures falling £16 to £1,017.50 a tonne—the lowest since May 1976. Page 31

● COMMON MARKET steel producers have agreed to cut output by at least 10 per cent in the second half of 1980 due to falling demand in an attempt to shore up prices. Back Page

● CANADA has dropped out of the U.S.-led embargo on grain sales to the Soviet Union imposed after the invasion of Afghanistan. Page 31

● U.S. CONGRESSMEN are studying a possible temporary ban on foreign takeovers of American banks, with three such deals imminent. Back Page

● FINANCIAL targets set for British Shipbuilders a year ago may no longer be considered realistic when the corporation's results are announced shortly. Page 8

● BRITISH GAS Corporation's monopoly in the sale of domestic gas appliances is criticised by the Monopolies and Mergers Commission. Page 7

● INCHCAPE AND CO. taxable profits jumped in the second half to £34.35m (£18.05m) giving a group figure for the year to March 31 of £65.61m (£41.05m) despite a slight fall in turnover. Page 20

● WILKINSON MATCH shares were suspended as Allegheny Ludlum of the U.S. finalised its £27m offer for the majority stake in the UK razor and match company. Page 22

● GRESHAM INVESTMENT Trust, which is mainly involved in merchant banking, made record taxable profits for the year to March 31 of £1.47m, up 21 per cent on the previous £1.22m. Page 20

● VICKERS shareholders have given overwhelming approval to their board's plan to merge with Rolls-Royce. Back Page

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Atlantic air fares war grows fiercer with more cuts

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

The North Atlantic air fares war heated up yesterday, with both British Airways and Trans World Airlines further trimming their cheapest London-New York Stand-By single rates to the lowest level yet, \$82 for the coming winter.

Plans by Pan American for fares cuts are expected later this week. Sir Freddie Laker, chairman of Laker Airways, who is on holiday, is likely to make some announcement on his return at the weekend. Both operators are now undercut by BA and TWA.

Other developments in the battle yesterday included an announcement by Aer Lingus in Dublin that it would cut its North American flights by about 13 per cent, with loss of 200 jobs, because of severe competition.

World Airways, which flies between London and Boston, announced an economy Stand-By rate of \$94.50, and a single first-class Stand-By of \$185 against the British Airways regular first-class fare of \$594. British Airways does not offer a Stand-By fare on the Boston route.

British Airways began the fares battle at the weekend by announcing a cut of £13, to \$84 single, in its winter London-New York Stand-By rate.

TWA announced its own package of cuts to New York and other cities yesterday with a Stand-By rate down from \$98 single to \$82.50.

BA immediately lowered its own rate further, to \$82, which TWA in turn promptly matched.

Laker's cheapest Skytrain off-peak single to New York is \$85. Mr. Neil Eddman, vice-president of airline planning for TWA, said in London that he was not anxious to become involved in a fares war, but to make profits.

His airline was breaking even on the North Atlantic this summer, after making profits of \$150m in the past four years on the route.

But he admitted that TWA, like British Airways, was asking the UK and U.S. Governments for permission to raise other fares this winter by 13 per cent to cover soaring fuel and other costs.

This would raise the first-class single rate from the present \$594 to \$675, the Ambassador class from \$247 to \$281, and the economy from \$180 to \$213.

Mr. Eddman said TWA was cutting its cheapest rates for

three reasons. One was to generate more business among price-sensitive leisure travellers. Four in every 10 TWA passengers used Super Apex, while another one in 10 used Stand-By tickets.

Second, the airline wanted to simplify a complicated and confusing fares structure which offered too many seasonal fare changes. Now there would be one rate in each class throughout the winter.

Third, the airline was trying to "equalise a situation where the promotional fare passenger has carried an unfair share of fares increases generated by escalating fuel prices."

Other cuts in fares are being made by TWA between London and Boston (Stand-By down from \$101 to \$82.50); Philadelphia (from \$108 to \$89.50); Chicago (from \$120 to \$112.50); and Los Angeles (from \$138.50 to \$112.50).

Super Apex rates are also coming down sharply. The New York rate comes down from the current \$238 to \$215 round-trip, while the Boston rate falls from \$234 to \$185.

Background Page 8

Money supply 'probably under control' says Howe

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

SIR GEOFFREY HOWE, the Chancellor, was cautiously optimistic yesterday about the monetary prospects in spite of the distortions caused by the end of last month of the corset controls.

The Chancellor told the all-party Treasury and Civil Service Committee of the Commons that after taking account of all aspects, "the money supply was probably under control."

He hesitated to go further than the statement made when minimum lending rate was reduced earlier this month, on the basis of partial information so far available.

But he did not think that monetary influences had gone in the opposite direction since then. He believed that the money supply was being kept under control.

Sir Geoffrey confirmed comments made last week by Mr. Gordon Richardson, Governor

of the Bank of England, that the impact of the end of the corset had come through faster and on a larger scale than previously expected.

But he said that switching of lending back within measured parameters did not affect the underlying trend of monetary growth. The Government would in due course look at how far it was sensible to adjust in the light of what happened in the next few months.

These comments underline the probability that the Government's decision on a further cut in MLR will reflect prospects for the underlying demand for credit, and disregard distorting effects of the corset.

Questioning by MPs lasted more than 2½ hours and covered a wide variety of subjects. Sir Geoffrey was more self-confident and effective in his answers than at previous sessions. At the beginning of the hearing there

was, however, a hint of tensions which arose after last week's critical report by the committee on the Treasury's handling of Civil Service pay rises.

During questioning Sir Geoffrey said that the rise in unemployment in recent months was not significantly different from what had been expected at the time of the Budget.

He was asked for some time about the appropriate level of public borrowing in the recession. He said the Government recognised the cyclical influence pushing up borrowing, but stressed that this had to be considered in the context of monetary performance and the objective of reducing interest rates.

The Chancellor appeared sceptical about suggestions for introduction of index-linked gilt-edged securities and other debt instruments. He referred to the problems for the rest of

Continued on Back Page

BP to pay £93m for offices

BY MICHAEL CASSELL

BRITISH PETROLEUM has agreed to pay £93m for two adjoining office blocks in the City of London. This is thought to be the largest single property purchase arranged in the UK.

The two buildings, which will provide 440,000 sq ft of floor space, form part of the redevelopment of the original Whitebread brewery complex in Chiswell Street. The site is being redeveloped by a joint venture company owned by Whitebread and Trafalgar House.

Work on the Chiswell Street scheme, which also involves construction of about 130 houses and flats, began in 1976. The Shire House office tower is due for completion next month, and BP intends to move in next year. The second block—Milton House—will not be completed until next year.

Payment by BP, which is subject to completion of the buildings, will be made in two equal instalments this year and next.

Whitebread said yesterday that it could not specify the share of the total consideration it would ultimately receive from the scheme as completion was still some way off. But, according to the company, on the basis of present estimates and after construction costs, the net cash flow to the group between 1980 and 1982 could be in the region of £28m.

The cash is to be used to support the brewing group's expansion programme, including the completion of a new lager brewery at Macclesfield in Wales.

By March this year, Whitebread had spent £16m on meeting its share of development

costs. Although Trafalgar House declined to give any details of expected profits from the scheme, its position as joint venture partner should be similar to that of Whitebread.

BP has its 4,000 headquarters staff spread around several City office blocks close to Chiswell Street. The group intends to maintain its central operation at nearby Britannic House, which it owns, but will be disposing of other office buildings in the vicinity as it transfers employees to Chiswell Street.

Ernest Whimney, the accountants, are negotiating with BP for the outstanding lease on the 223,000 sq ft Britannic House North, where the Granada Group is the freeholder. BP will also leave Longbow House, a 57,000 sq ft office block, also owned by Granada, where the lease is due for renewal next November.

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Saudis and UK resume relations

By Simon Henderson

BRITAIN AND Saudi Arabia are to restore full diplomatic relations after a rift lasting nearly four months, caused by the showing of the controversial film Death of a Princess on British television.

Ambassadors are once again to be exchanged and Lord Carrington, the foreign secretary, is to visit Saudi Arabia in late August. It is also hoped that British businessmen will find it easier to secure contracts.

The improvement in relations was announced by Mr. Douglas Hurd, the Foreign Office Minister of State, at the end of a three day visit to Saudi Arabia and marks the successful conclusion of an official campaign to soothe offended Saudi feelings.

The film "Death of a Princess" depicted the execution for adultery of a Saudi Royal princess, Mr. James Craig, the British ambassador, was asked to leave Saudi Arabia after the film was shown, and the man nominated as the Saudi ambassador to London was not sent.

Speaking at Jeddah airport before flying home, Mr. Hurd referred to the "understandable offence" caused by the showing of the film. In his talks with Prince Saud Al-Faisal, the Saudi Foreign Minister, he had proposed ways of overcoming the misunderstandings.

Since there was no formal trade embargo against Britain there is to be no formal retraction. The Saudi export market is Britain's eleventh biggest worth about \$850m a year with services worth another \$200m. Britain imports oil worth £1bn a year from Saudi Arabia.

British exports during May showed a distinct drop to £79.2m from £92.6m in the same month in 1979, in what was previously an expanding market. On estimate of the long term cost in lost trade is between £100m and £300m.

The argument which finally led to the easing of the strained relations appears to have been the Saudi awareness of the larger shared interests it has with Britain on the problems of the region.

Apart from the Soviet invasion of Afghanistan, a new EEC policy towards the Arab-Israeli problem is now being evolved. Both matters are expected to be on Lord Carrington's visit agenda.

Inmos stake considered by STC

BY GUY DE JONQUIERES

STANDARD Telephones and Cables (STC), one of Britain's leading manufacturers of telecommunications equipment, is understood to be considering the possibility of taking a stake in Inmos, the National Enterprise Board's microchip subsidiary.

STC is believed to have held informal discussions with the Government, during which it indicated that its willingness to proceed would depend on Government approval of Inmos' outstanding request for a second £25m of funding.

The company's interest appears to have caught Whitehall officials off balance as Ministers prepare to hold new discussions on the funding request, which has been hanging fire since late last year.

Sir Keith Joseph, the Industry Secretary, seems determined to press for a clear decision by the Cabinet before Parliament rises on August 8 and is expected to argue in favour of giving the project continued public support.

Further backing has been strongly recommended by the NEB on the basis of a detailed internal review of Inmos' technological strengths and commercial prospects carried out during the past few weeks.

Though its contents have not been made public, the review is believed to conclude that Inmos still stands a reasonable chance of success on the world market for high volume "standard" integrated circuits, despite the delay in a decision on the next tranche of funding.

Both companies plan to manufacture integrated circuits under licence using technology developed by Intel, a small Canadian company.

Plessey recently reorganised its semiconductor business into a single division and GEC has announced plans for a similar regrouping.

Earlier this year, GEC expressed an interest in Inmos. But after examining the project closely, the company decided not to proceed.

GEC's withdrawal was interpreted by City institutions and a number of other British industrial companies as a sign that it did not share the NEB's confidence in the project.

STC has for many years been one of the Post Office's major equipment suppliers and is involved in the development of System X, Britain's advanced

telephone exchange project. Almost all the company's senior executives are British, and last year 15 per cent of its equity was floated to UK investors.

At present, STC has no significant semiconductor manufacturing operations. It purchases a number of components from PTT's Semiconductor division, which has plants at Footscray and Sittingbourne in Kent.

Though Sir Kenneth Corfield, STC's chairman, is also chairman of ITC Semiconductor, operational responsibility for the latter lies with Inter Metall, an ITC subsidiary in West Germany.

It is not clear how Inmos would fit into STC's existing activities. But some of the venture's production of integrated circuits could presumably be used in the construction of advanced electronic telecommunications apparatus.

Market

The market for such equipment in the UK is expected to grow strongly once the Government's proposals to relax the Post Office's telecommunications monopoly take effect, allowing a much wider range of apparatus to be offered for sale.

The General Electric Company (GEC) and Plessey, two of STC's main competitors in the telecommunications business, have recently moved to strengthen their semiconductor operations, partly in anticipation of the ending of the Post Office monopoly.

Both companies plan to manufacture integrated circuits under licence using technology developed by Intel, a small Canadian company.

Plessey recently reorganised its semiconductor business into a single division and GEC has announced plans for a similar regrouping.

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EUROPEAN NEWS

Why France may armour-plate its nuclear umbrella

BY ROBERT MAUTHNER IN PARIS

PRESIDENT Valéry Giscard d'Estaing made more than a technical military statement last month when he said France had tested the neutron bomb, and that a decision to produce it could be taken in two or three years. His announcement had wide-ranging international political implications, later emphasised during his highly successful visit to West Germany.

Adding the neutron bomb—the "enhanced radiation weapon" in military jargon—to France's nuclear panoply would be an important modification of French defence strategy. While it would not invalidate General Charles de Gaulle's doctrine that a nuclear attack on France would trigger massive nuclear retaliation, it anticipates situations which fall short of an all-out nuclear war.

That the neutron bomb's probable adoption by the French armed forces has been publicly welcomed by the West German Government indicates the significance of the direction French defence policy is taking. The neutron bomb can wipe out life in a relatively restricted area, without destroying the area itself. It is essentially a tactical weapon, particularly effective against tanks, which could counter a conventional Soviet attack against Western Europe.

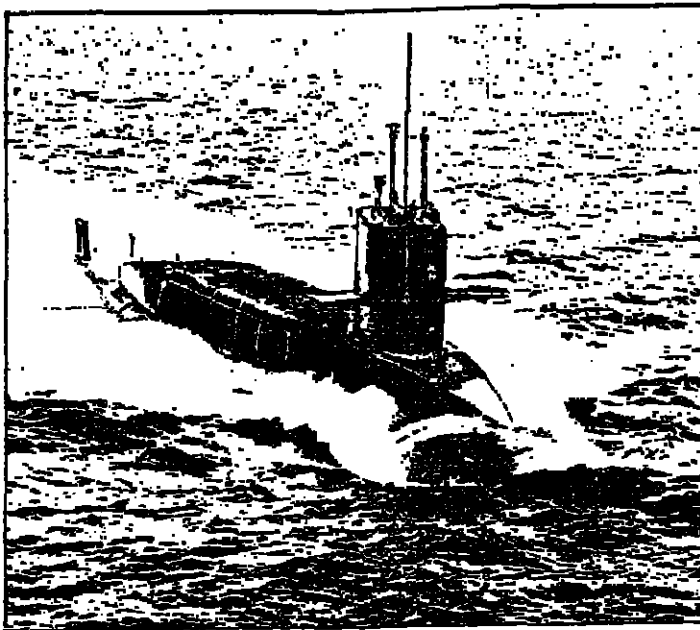
The Germans are right to look on its development by

France as a confirmation of President Giscard's new doctrine that France must be prepared to take part in even a conventional conflict on West Germany's eastern border, since France's own security would inevitably be threatened once the Russians crossed the River Elbe.

French and West German disillusion with the lack of firm direction and the vacillations of U.S. foreign policy under President Jimmy Carter's Administration has created a climate in which at least some noises can be made about greater European defence co-operation. What is much more doubtful is whether West Germany heavily dependent for its security on the U.S. nuclear "umbrella" and U.S. troops and equipment stationed on its soil, can afford modifications of the present set-up.

Certainly Herr Helmut Schmidt, the West German Chancellor, who faces a general election in the autumn this year, and President Giscard, who is expected to run for a second term in the French presidential election next spring, will be careful not to rush matters.

As far as the French President is concerned, too sudden a departure from the time-honoured defence principles laid down by Gen. De Gaulle could alienate the Gaullist electorate he is trying to woo. By



"Nuclear deterrents consist of a variety of risks for the potential enemy, one of which at least is mortal"—President Giscard d'Estaing

making it clear that no final decision on the neutron bomb will be taken for at least two to three years, and by couching his call for greater European independence in very general terms, he has tried to ensure that his opponents cannot attack his proposal during the election campaign. Even in the absence of final decisions, however, the President's strong hints about his thinking on defence strategy have been sufficient to spark off a funda-

mental debate between his followers and opponents.

Both the pro-Giscard UDF party and the Gaullist RPR have recently published documents on the subject, which reflect a sharp difference of opinions. The pro-Giscard party, while stopping short of proposing France's return to the North Atlantic Treaty Organisation's military command (from which Gen. De Gaulle withdrew in 1966) is taking an unambiguously pro-



Atlantic Alliance line.

It argues that it is nonsense to talk of France's defence in isolation. To believe that France can remain inviolate once the Soviet Union has occupied the rest of Europe is no more than a pipe dream. As soon as a conflict breaks out in Europe, France's territorial integrity and independence will be threatened. It is, therefore, imperative that France should be prepared to fight alongside its Atlantic Alliance allies in

any forward battle in Europe.

In adopting this position, President Giscard's supporters have virtually accepted the alliance's own strategy of "flexible response." Instead of putting all the emphasis on the strategic deterrent, they say the threshold at which strategic weapons would be used should be raised by providing the armed forces with large numbers of tactical nuclear weapons, including neutron bombs.

Such weapons would serve, not only as a last warning that strategic arms would be used if an aggressor went on to threaten France's territorial integrity, but would provide an effective counterweight to the Soviet Union's overwhelming superiority in conventional weapons.

For the Gaullists, on the other hand, the strategy laid down by Gen. de Gaulle is still largely valid. They claim that only the capacity to retaliate against the main cities and industrial centres of a nuclear aggressor provides a credible deterrent. It must be made clear to the potential enemy that France is a "sanctuary" which, if violated, would spark a nuclear holocaust.

France must certainly stay in the vanguard of nuclear weapons technology, according to the Gaullists, and should develop the neutron bomb. But it should not be produced in large quantities, because this

would give the impression that France was preparing to fight in conventional wars in Europe, which it could not hope to win, and that it was reluctant to use its strategic weapons, even in the last resort. In other words, the neutron bomb would devalue the strategic deterrent.

The Gaullists, therefore, continue to put all the stress on the strategic deterrent, particularly the strengthening of the nuclear missile-launching submarine and nuclear bomber forces. They propose that defence expenditure should be raised to about 5 per cent of the gross national product at the end of the century, from its present level of 3.3 per cent, which would allow 15 more missile-launching submarines to be built by the year 2010. The present strength of the nuclear submarine force is five, rising to six in 1985, all due to be equipped progressively after 1985 with the new M4 multiple warhead missiles, which have a range of 4,000 kms.

The Socialists, whose candidate is likely to be the main threat to President Giscard in next year's presidential election, also oppose the production of the neutron bomb, although not its technical development for similar politico-strategic reasons.

While President Giscard has cleverly kept his options open to avoid a full-scale political

ambiguity, it is already a big step forward.

denial election, he has said enough to make it clear that the Government's final choice of the new generation of nuclear weapons will be a mix of the various proposals. The strategic deterrent will therefore be maintained and modernised, whether or not the French armed forces are equipped with neutron weapons in large quantities. But its composition will be modified. France thus intends to remain a fully independent nuclear power, whatever the financial cost. Despite all the criticism by the left-wing Opposition of President Giscard's "Atlanticist" sympathies, there are no grounds for thinking France will ever rejoin the alliance's integrated military command.

But that does not preclude a closer co-ordination of defence policies with the alliance than before. For a decision to produce the neutron bomb would be tantamount to a final abandonment of the "French sanctuary" doctrine, and to an admission of France's military solidarity with its Western partners.

While the French have never ceased to pay lip service to their obligations under the Atlantic Alliance treaty, their national defence doctrine has always appeared to contradict these protests. If President Giscard's new defence strategy has done no more than clear up this ambiguity, it is already a big step forward.

Olympic glory fires E. Germany

BY LESLIE COLITT IN BERLIN

AS FAR as East Germany is concerned, it has virtually won the Moscow Olympic Games. East German newspapers yesterday displayed a score card showing that the country's athletes have piled up 530 points to the Soviet Union's 731—a considerable achievement for a country of only 17m, against 265m Soviet citizens. The East German scoring system gives seven points for a gold medal on down to one point for a sixth-place.

Apart from the pride most East Germans feel about the successes of their athletes, sport is one of the few areas where East German officials consider they can afford to be modest. Any country, they say, could produce equally good athletes if it adopted the social system and the fine-tune methods used by East Germany.

This past weekend, more than three dozen congratulatory telegrams were sent to medal-winning East German athletes by Herr Erich Honecker, the Communist party leader and head of state. Along with other news of East German Olympic triumphs, they occupy five out of yesterday's eight-page party newspaper, Neues Deutschland, which is normally concerned with industrial output, harvests, and the ideological views of Herr Honecker and his colleagues.

East German television is providing blanket coverage of the Games in programmes which have also attracted viewers in West Berlin and the eastern border area of West Germany, which can receive East German transmissions. Only brief reports from Moscow are appearing on West German TV

in view of the absence of its national team.

However, not all East Germans are happy about the enormous emphasis given by the regime to sport. One East Berlin woman, whose husband has been in near-total Olympic immersion every evening since the Games started, said she would prefer lower consumer prices rather than the "billions of marks wasted" in Government subsidies for competitive athletics.

An East German family in Dresden, whose four-year-old boy's athletic potential was spotted in his nursery school, rejected a State offer to send him to a sports school. "It might have enabled him to get an apartment and a car more quickly when he grows up," his mother said, "but it might also have turned him into a machine."



East German rowers celebrate their gold medal in the coxed fours event by hurling their cox into the water.

Portugal to modernise airport at Madeira

BY JIMMY BURNS IN LISBON

TOURISM ON Madeira, Portugal's main holiday island and one of the country's most important sources of foreign exchange, is expected to benefit from a decision to modernise the airport there and create a duty-free zone.

A statement issued over the weekend, following an official visit to the island by Sr. Francisco Sa Carneiro, the Prime Minister, said that the runway of the accident-prone Santa Catarina airport will be extended by 1,040 metres, the work to be completed by 1994. The scope and scale of the duty-free zone will be worked out within the context of Portugal's current negotiations to join the European Community.

The Government has to modernise the airport at a cost of \$80m rather than spend

\$210m on a new one, as the less costly solution to the island's pressing problems. Madeira officials have complained frequently that the poor condition of Santa Catarina is jeopardising the island's tourist potential seriously.

The island's government last year shelved an ambitious development plan aimed at tripling Madeira's tourist accommodation to 35,000 beds. Santa Catarina was adjudged incapable of handling the airliners needed because its limited runway was only 1,800 metres long.

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Communists to keep up pressure on Cossiga

BY RUPERT CORNWELL IN ROME

THE ITALIAN Communist party intends to continue making life as uncomfortable as possible this summer for Sig. Francesco Cossiga's coalition government, despite the failure of its offensive against the Prime Minister personally in the parliamentary impeachment hearings which ended on Sunday.

This was made clear yesterday by Sig. Enrico Berlinguer, the Communist leader, in the aftermath of an episode whose most visible short-term consequence has been to strengthen the fragile bonds between the three parties in the Government.

However, the overriding goal of the Communists remains to bring the Government down — and in doing so to prove that, without their own acquiescence, Italy is effectively ungovernable.

Opportunities abound to demonstrate the validity of this thesis. Already the Communists, at the cost of a head-on collision with their normal allies, the union leadership, have forced the Government to withdraw plans for a controversial 0.5 per cent levy on industrial salaries.

Meanwhile, Sig. Cossiga is struggling to push through Parliament before the summer recess the most important public spending and tax raising provisions of an economic package launched four weeks ago, all of which the Com-



Sig. Berlinguer: Trying to split the coalition

munists are seeking to modify.

Once the summer break is over, moreover, the country faces what promises to be an exceptionally uncomfortable autumn on the industrial front when many large companies, including Fiat, are expected to lay off large numbers of workers due to the recession. It has been to cement its position as the prime defender of the working class interest that the Communists took on, and effectively defeated, the

union leaders, who had reached broad accommodation with the Government on the framework of its deflationary economic strategy.

The other evident Communist objective is to break the Government's alliance of Christian Democrats and Socialists, which, if cemented, would create a stable parliamentary majority excluding the Communists for the first time in six years.

The dismal state of relations on the Italian Left, between a Socialist party shifting perceptibly to the right and a Communist party adopting a more traditional hard-line stance, was referred to in a lengthy interview this weekend by Sig. Berlinguer.

He accused the Socialists in essence of sacrificing their Left-wing principles and accepting a slavish pro-U.S. foreign policy by the Government. On domestic terms, he charged them with seeking only to secure as many power bases as possible while adopting a policy indistinguishable from the Christian Democrats.

Sig. Berlinguer also confirmed the "non-aligned" stance of his party in international affairs, acknowledging that the U.S. nuclear umbrella "was vital for West Europe's security, while refusing to contemplate any lasting break with Moscow, despite disagreement with Soviet behaviour in Afghanistan and elsewhere.

Saudi talks seek united OPEC price policy

By Simon Henderson

THE LONG-term strategy committee of the Organisation of Petroleum Exporting Countries (OPEC) is meeting this week in the hill town of Taif in Saudi Arabia as part of the process to evolve a united pricing policy.

The five-day meeting which began on Sunday is a continuation of one held in May, also in Taif, when Iran, Algeria and Libya disagreed with other members on a long-term pricing formula.

The three countries want a price increase formula based on an inflation index based on imported inflation and the growth of Gross National Product (GNP) of OPEC states.

The other members prefer a floor price for crude oil adjustable quarterly, and indexed to inflation and exchange rates and GNP growth in Western industrialised nations.

If agreement is reached, the policy would be ratified formally at OPEC's 20th anniversary conference in Baghdad in November.

New Hebrides 'bush war over'

By Terry Dodsworth in Paris

M. Paul Dilon, Secretary of State for the French Overseas Territories, claimed yesterday that the secessionist islands of Espiritu Santo, in the New Hebrides have effectively abandoned their "bush war" against the Government of Mr. Walter Lini.

His comments came only hours after reports that the breakaway islanders, led by Mr. Jimmy Stevens, the self-proclaimed "President of Paradise" were preparing to fight the "bush war."

The "bush war" survey, conducted by the European Commission, reports that the "business climate indicator," which points to future industrial output trends, has dropped 23.5 points during the 11 months up to June this year.

The equivalent periods leading up to the 1974 and 1977 setbacks recorded significantly smaller drops of 20 and 21 per cent respectively. The Commission emphasises, however, that the figures should not be taken as a sign that the present recession will be of the same dimensions as that of 1974-75. It points out that the financial positions of EEC businesses are stronger now than then and that "experience has been gained in adapting to oil shock situations."

The EEC survey also underlines the fact that industrial investment for this year in most of the Community is remarkably buoyant. Chief executives surveyed in March and April expect industrial investment for 1980 to increase by 16 per cent in value terms. At the head of the Nine's investment league is Belgium where, despite serious economic difficulties, industry anticipates a 41 per cent increase in investment.

France, West Germany and Italy occupy the middle ground, with volume increases of investment put at 8.5, 10 and 12.5 per cent respectively. At the other end of the scale are the UK and Ireland: British investment in value terms is due to fall from 19 per cent last year to 2 per cent this.

Although public service charges are expected to show a bigger rise this month, the Government is hopeful that the annual rate, currently at 13.5 per cent, can be brought down by the end of the year to its 12 per cent target, roughly the same as in 1979.

At the same time, a survey carried out among retailers by INSEE, the official statistics body, paints a picture of diminishing activity, rising stocks and pessimism for the coming months.

Sales of non-food products, which had already fallen in March and April, continued to drop in May and June. Retailers have had second thoughts about their order intentions, which were still fairly firm two months ago. The slowdown in demand, which began during the winter, now affects all products, INSEE says.

In particular, sales of household electrical equipment have been hit after a period of strong growth. Retailers are facing increasing financial problems aggravated by difficulties in obtaining bank credits.

French rate of inflation easing

By David White in Paris

THE FIRST convincing signs of the slow-down in French inflation coincides with a sharp fall in household purchases and mounting gloom among the retailers. Consumer prices increased 0.6 per cent in June, the lowest monthly rise since the end of 1978. The rate was half that at the beginning of the second quarter with food, manufactured goods and services rising evenly.

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BOTSWANA'S UNEMPLOYMENT CRISIS

How to turn diamonds into jobs

BY BERNARD SIMON IN JOHANNESBURG

DR. QUETT MASIRE, Botswana's new President, has inherited one of Africa's starkest economies. None the less, one of his most pressing tasks is to translate fast-rising foreign reserves into more jobs and higher living standards for his 820,000 people.

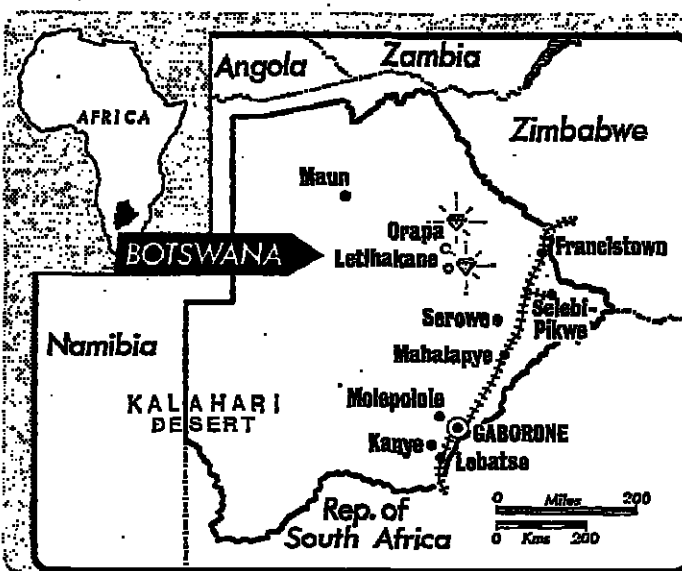
The degree to which he succeeds or fails may be crucial to his chances in the first general election since the death of his predecessor, Sir Seretse Khama. That election is due in 1984.

Unemployment and consequent urban drift are increasingly serious problems in Botswana. Only about 9 per cent of the population have jobs in the "formal" sector. Most others eke out a living as underemployed peasant farmers. A sharp drop in recruitment by South African mines (from 40,400 workers in 1976 to only 19,000 last year) has compounded Botswana's unemployment crisis.

Fierce competition for jobs was one reason why the Government earlier this year moved several hundred relatively well-educated South African refugees from Gaborone, the capital, to a remote camp in the north.

Without major policy changes, the scope for creating new jobs is very limited. Modest tax allowances, Botswana's proximity to the developed industrial centres of South Africa and Zimbabwe, and the authorities' reluctance to relax bureaucratic regulations have discouraged new commercial and industrial ventures.

For much the same reasons, the Government has so far had very limited results in expanding agricultural employment. The "arable lands development programme," aimed at encouraging farmers to raise crops rather than cattle, is unlikely to work properly until producer prices are raised. To do so, however, carries the risk of attracting a flood of imports across the poorly patrolled



South African border.

Economists and businessmen argue that the time has come for the Gaborone authorities to take more risks in their economic policies in the hope of higher rewards. "Botswana is now in a position to be somewhat more speculative." A senior executive of the state-controlled Botswana Development Corporation said.

Tax cuts and even selective subsidies, among other measures, are being urged as ways of encouraging labour-intensive businesses in which Botswana does not yet have a comparative advantage.

In terms of Government revenues and foreign exchange earnings, the economy has never been stronger. Tax and customs receipts are expected to total Pula 285m (£145m) in 1980-81, three times the level four years ago. Foreign exchange reserves are now P280m, more than twice as much as they were 18 months ago.

Diamonds account for most of these spectacular increases. Diamond sales last year, at P181m, accounted for over half

total exports, and almost equalled total export earnings in 1978.

Their contribution will rise even further when the Jwaneng mine, in the south, comes into production in 1982. Jwaneng's annual output will total between 4m and 6m carats, compared with the 4.4m carats produced last year at the two existing mines, Orapa and Letlaka.

Diamonds will account for at least 70 per cent of export earnings by the mid-1980s. But, unlike most other single-product economies, Botswana has the advantage that while De Beers' virtual monopoly on the international diamond market lasts, its export receipts from diamonds will rise steadily even when demand weakens.

In contrast, the two other major industries are in a sorry state. Cattle herds have been ravaged for the past three years by foot-and-mouth disease, and beef exports this year are unlikely to earn more than half the P82m of 1979.

The disease was spread mainly by infected cattle smuggled across the border from Zimbabwe during the

civil war. An improvement in veterinary services in Zimbabwe, and more efficient border surveillance, should help to control the epidemic.

The Selebi-Pikwe copper/nickel mine, owned jointly by Amax and Anglo American, lost P16.5m last year. The mine's technical problems have been smoothed out, but its financial position remains precarious. Debt and royalty payments have been deferred, and shareholders and international banks were forced to mount a second financial rescue operation earlier this year.

An executive closely involved with the mine said: "The shareholders will never make any money and they may not even get back what they put in." For political reasons, however, mining will continue indefinitely. One sign of hope is that substantial new ore bodies have been discovered near the existing operations.

U.S. Steel is believed to have found encouraging copper deposits near Maun in the north-west, and Falconbridge's prospecting for copper and silver in the north is "at an advanced stage." Proven and indicated coal reserves amount to 17bn tons, but some estimates put total deposits at around 100bn tonnes.

The trans-Kalahari railway is a favourite project of most Botswana officials, who see it as one of the few ways to lessen dependence on South Africa—after independence in Namibia, of course.

But dependence on South Africa is likely to continue for a long time. South Africa provided 85.4 per cent of Botswana's imports last year, and Gaborone has rejected suggestions that it should withdraw from the South African customs union. Mr. Archie Mogwe, the External Affairs Minister, conceded that a similar arrangement with other black states in the region is feasible only "in a very, very long time."

Pöhl sees grounds for some optimism

BY KEVIN DONE IN FRANKFURT

THE BUNDESBAK president, Herr Karl Otto Pöhl, who has held the post for barely seven months, chose the start of the summer break yesterday, to report on his first term's work and managed to award himself an "A" in most subjects.

Recently, the Bundesbank has been under increasing pressure from the unions, economic commentators and some Bonn politicians, all of whom have been calling for a relaxation of the monetary reins as a way of dealing with the coming recession.

In terms of the domestic economy, the Bank has been rather more optimistic all year about the strength of economic activity, however. Herr Pöhl went out of his way to stress yesterday that a recession of the proportions witnessed in 1974-75 was not on the cards.

Herr Pöhl emphasised that far from domestic economic worries, the Bundesbank had been concerned above all for much of the year with the mounting deficit on the external current account, and therefore with the question of foreign confidence in the Deutsche Mark.

From January to April some DM 20bn flowed out of West Germany as the currency reserves bore the brunt of financing the foreign deficit. That had been reversed in the past three months and it was proving possible to finance the deficit through the markets,

said Herr Pöhl. But the situation was still filled with uncertainties.

The Bank's overriding domestic concern was to keep tight control of the money supply and this had been successfully achieved so far this year.

Within the target set of a growth of 5.8 per cent in the central bank money stock, expansion in June was, as hoped, in the lower part of the range at some 5.5 per cent.

The Bundesbank's monetary policy hardly merited the description tight, as credit demand in the first six months had still risen by 10 per cent, said Herr Pöhl. There was sufficient financial room for manoeuvre to allow a measured growth in the economy this year, which is still estimated at 2.5-3 per cent.

Internationally, the priority will be given clearly, to cutting the current account deficit—this year it will account for some 40 per cent of the industrialised countries' total deficit—by further expanding exports, particularly to the oil-producing countries. These include the UK and the USSR.

By value, exports to OPEC countries were up by 40 per cent in May/June, said Herr Pöhl. Putting aside Japan, West German industrial competitiveness had also improved this year by comparison with important trading partners, such as France and Italy.

Industry slows in EEC

By Giles Merritt in Brussels

EUROPEAN INDUSTRIAL activity during the past year has slowed at an even more alarming rate than during the 1974-75 recession or the decline in 1977, according to a key EEC economic indicator.

The "July Business Survey," conducted by the European Commission, reports that the "business climate indicator," which points to future industrial output trends, has dropped 23.5 points during the 11 months up to June this year. The equivalent periods leading up to the 1974 and 1977 setbacks recorded significantly smaller drops of 20 and 21 per cent respectively. The Commission emphasises, however, that the figures should not be taken as a sign that the present recession will be of the same dimensions as that of 1974-75. It points out that the financial positions of EEC businesses are stronger now than then and that "experience has been gained in adapting to oil shock situations."

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In particular, sales of household electrical equipment have been hit after a period of strong growth. Retailers are facing increasing financial problems aggravated by difficulties in obtaining bank credits.

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'Have you seen anything suitable?' 'Yes. As a matter of fact we have. There are some very reasonable freehold premises going in High Square, next to the cinema. Perfect for our purposes.'

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OVERSEAS NEWS

FEW WORLD FIGURES FOR TODAY'S FUNERAL

Shah to have 21-gun salute

BY OUR CAIRO CORRESPONDENT

PRESIDENT Anwar Sadat of Egypt, with Mr. Richard Nixon, the former U.S. President, and family mourners will head the procession at today's funeral of the ex-Shah of Iran, who died in Cairo on Sunday.

The Shah's flag-draped bier will be borne on a gun carriage flanked by four generals of the armed forces carrying his medals and insignia along a two-mile route from the Abdin Palace in central Cairo to the Rifai Mosque, where the ex-Shah will be buried in a specially prepared tomb.

Some 1,300 men of the armed forces and Presidential Guard will accompany the cortege. A

21-gun salute will mark the start of the interment and a further three 21-gun salutes, in accordance with military custom, will be fired when it is completed.

A decision on whether to attend the funeral has presented the Western Embassies here with a ticklish problem of protocol. EEC member-countries had taken a collective decision to send no representatives, but later France decided to send its ambassador. The U.S. Embassy still awaits instructions from Washington.

Mr. Alfred Atherton, the U.S. Ambassador, personally

delivered a note of condolence from President Carter to the Shah's widow.

Apart from Mr. Nixon and possibly ex-King Constantine of Greece, few world personalities will attend the funeral. President Sadat specifically excluded Arab Heads of State when he spoke to journalists yesterday. He has done everything possible to give the impression that the funeral will be a family affair.

As preparations for the funeral proceeded, workmen were busy giving the area around the Rifai Mosque, which is situated in one of the poorer parts of Cairo, a badly-needed face lift.

The hunt turns to the Royal assets

By Anthony McDermott

BARGAINING FOR the release of the 52 American hostages following the death of the Shah now becomes a question of figures rather than an individual.

Hitherto, the primary, if vain, request as part of the package for the prisoners' release was the return of the Shah to face trial. The second was the return of his assets.

The U.S. now regards the issue of the wealth of the Shah and that of his family as the primary issue (along with the possibility of some of the hostages being put on trial as spies) in any negotiations with Ayatollah Khomeini's Government for their release.

The problem is that it is almost impossible to calculate accurately his vast wealth. Mr. Ali Nowbari, the Governor of the Iranian central bank, claims that the Shah "stole" \$32bn. Calculations by bankers of the Shah's personal portfolio have put his assets at between \$1bn and \$17bn. But this wide variation probably depends on

whether it is his own fortune or that of the 65 members of the royal family is being estimated.

A further qualification must be made, and that is whether the fortune under consideration includes assets now seized or nationalised in Iran. At a rough estimate, one could put the family disposable assets outside Iran at about \$1bn. This would include properties in the U.S., Britain, Switzerland (two at St. Moritz and one near Geneva), Mexico and Spain. It would include cash, and stocks and shares held in banks in such main financial centres as New York, London, Paris and Switzerland. For example, Iranian accounts handled by the

25 major Swiss banks, amounting to about 80 per cent of all foreign business, totalled SwFr 1,03bn (\$643m). This sum excluded securities, real estate, deeds, stock and gold.

No doubt in the course of legal proceedings, distinctions will be made between the Shah's personal fortune and any assets transferred to his family. Between 1973 and 1978, an average of \$2bn left Iran every year, of which half, it has been calculated, was for the Shah's relatives. In disposable assets outside Iran, the Shah himself was probably worth at most only about \$200m, and with his family perhaps a total of \$1bn. The Shah acquired his fortune partly from his father and

partly through regular and discreet milking of his country's institutions. When the Pahlavi Foundation was established in 1958 (as a charitable institution), one of its functions was to sell off some of the estates inherited from his father, amounting to 2.5m hectares. In 1961, the Shah said he had transferred \$135m to the Foundation, or 90 per cent of his personal fortune. The Foundation itself had business deals involving anything from hotels to tankers, and at a conservative estimate, when in 1978 as a final desperate gesture, the Shah handed it over to the state, were worth well over \$8bn.

Besides, property, regular

subventions from the budget, and payments for securing foreign contracts, the Shah and his family acquired their fortune from regular grants from the National Iranian Oil Company, which are believed to have amounted to about \$200m a year. On this basis it would be reasonable to reckon that about \$7bn went to Iranian royal accounts abroad during this decade, up to the time of their mass flight in autumn 1978.

In addition, money was undoubtedly made on defence sales contracts, silent partnerships in companies at a time when, after the massive rise in oil prices in 1973-74, the Shah believed by doubling the size of the current development plan he could basically buy himself out of political trouble. This also opened the way to involvement in enormous projects, nearly all of which have now been scrapped.

Legal proceedings to recover \$10bn were begun by the Central Bank earlier in Iran and abroad. An initial petition filed with the Iranian Prosecutor-General's office asked the courts to freeze \$800m on the basis of documentary evidence already unearthed.

The vagueness of the accusations, though, is demonstrated by the fact that the Iranian Government had before that filed a case in New York seeking to recover approximately \$200m worth of assets which the Shah was said to have "misappropriated, embezzled, or otherwise directed to his own use."

To some extent what happens now will depend on the Shah's will. During his life, he made several, including it is reported one since he left Iran in January 1979.

Mood in Iran is more cautious

BY PATRICK COCKBURN IN TEHRAN

THE FATE of the U.S. hostages in Tehran will be determined as much by the popular mood in the streets as the Parliament which Ayatollah Khomeini, Iran's revolutionary leader, has said must decide the issue.

At the beginning of the year, general antipathy towards any deal with the U.S. which did not include the return of the Shah played a crucial role in thwarting efforts by Iranian President Abol Hassan Bani-Sadr to secure the diplomats' release.

Now, the popular mood is different. Six months ago in Tehran's Jaleh Square, the scene of the massacre of hundreds of demonstrators by the Shah's troops in September, 1978, local people reacted to a premature announcement by Mr. Sadeq Ghotbzadeh, the Foreign Minister, that Panama was to return the Shah by rejoicing in the streets.

Yesterday, they were more circumspect. Many still do not believe that the Shah is dead. They suspect a devious American trick. In general, however, local shopkeepers and workers are almost unanimous in saying

that the diplomats should be released, if the Shah's fortune is returned to Iran.

"If they give the Shah's money back, the hostages should be freed," one shoe-shop owner said. Almost all those interviewed believed the Shah's wealth to be vast.

The open conflict between the militant clergy and President Bani-Sadr has overshadowed the fate of the Shah in recent months. "We don't think about the Shah as much as we did six months ago," said a fruit seller.

The Visa name is on these travellers cheques because thousands of millions in banking assets stand behind them.



The financial system behind the Visa card is the largest in the world with over 12,000 members in 110 countries. Now, Visa Travellers Cheques are being issued by financial institutions worldwide. These include Barclays Bank International, Standard Chartered Bank, Chase Manhattan Bank, First Chicago Cheque Corporation, Banco Atlantico, The Sumitomo Bank, Ltd., and many others.

The combined financial strength of these issuers far surpasses that of any individual financial institution in the world—or any single travellers cheque issuer in the world—and this financial strength stands behind every Visa Travellers Cheque sold.

Thousands of other financial institutions are operating as sales locations and, as with the Visa card, a participating institution's name may be printed across the top of the cheque.

Visa Travellers Cheques are presently being sold in four major currencies: the U.S. Dollar, the Pound Sterling, the Japanese Yen, and the Spanish Peseta. Cheques in additional currencies are being developed to facilitate the travel needs of people throughout the world.

For years, banks and merchants have relied on the strength and integrity of the Visa name for proven worldwide financial services.

Visa Travellers Cheques

For travel and shopping, Visa is the most widely recognised name in the world.

For descriptive literature about Visa Travellers Cheques, contact Visa International, 99 Bishopsgate, London EC2M 3XD, England.

Japan faces credit dilemma over yen

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

THE RENEWED weakness of the yen on the Tokyo Foreign Exchange Market is creating a dilemma for Japanese economic policy makers who had been planning to start relaxing some credit restraint.

The yen closed yesterday at a rate of ¥226.75 to \$1, its lowest level for about two months and nearly 4 per cent below the mid-July parity. The Government claims to be "puzzled" by this sudden deterioration after two months of relative stability.

It is also concerned, because a weakening exchange rate tends to force up prices inside Japan. The belief that the inflationary effects of high world oil prices had finally worked themselves out was one of the reasons why officials have been moving cautiously towards lowering interest rates.

The yen's new weakness appears to be due in part to disappointment by the market at a further increase in Japan's seasonally adjusted trade deficit last month, after several months of improvement.

The deficit, on a customs clearance basis, came to \$1.85bn (£3.5m) compared with the previous month's figure of only \$0.69bn.

The Bank of Japan, which fixes the discount rate, has been

much more cautious than have the politicians in alluding to possible policy changes. But Mr. Haruo Masuoka, as governor, has begun to admit the possibility of a downturn in recent statements on the economy. He appeared yesterday to suggest that a cut in discount rate might be compatible with a policy of continued overall restraint.

The Bank of Japan seems to have watched from the sidelines during the past two weeks of fairly rapid exchange rate depreciation, in the sense that there has been no large-scale official intervention on the foreign exchange market. But small-scale intervention by the Bank is rumoured to have taken place last Friday and again in yesterday's market.

According to some reports, the central bank may have sold between \$20m and \$50m on each of these two days, in an attempt to slow the yen's decline.

Yesterday afternoon, the yen did, in fact, show signs of recovering, rising from a low point of ¥227.20 to \$1 to the closing rate of ¥226.75.

Japan's June trade balance was disappointingly weak, but it is still expected that the balance of payments will strengthen sharply in the last six months of the current fiscal year (ending March 31, 1981).

Foreign Ministry urges quicker defence build-up

BY OUR TOKYO CORRESPONDENT

JAPAN'S Foreign Ministry, which was studiously neutral on defence issues until a year or two ago, has issued a report calling for an accelerated defence build-up and for the despatch of technicians to take part in United Nations peace-keeping operations.

The report does not explicitly suggest that uniformed members of the Japanese Self-Defence Forces should be sent overseas. This would contravene the existing Self-Defence Force Law and would be certain to stir up a storm of controversy inside Japan.

But the Ministry evidently does see the despatch of technicians as being a first step towards eventual full-scale Japanese participation in UN peace-keeping operations.

The "technicians" envisaged in the report apparently include communications and other specialists who could help to supervise elections in UN-mandated territories such as Namibia.

On the vexed issue of Japanese domestic defence policy, the report avoids precise formulations but calls for an

existing defence build-up programme drafted by the Defence Agency to be completed ahead of time.

This echoes an American demand that the Defence build-up programme should be completed in four years instead of five.

The Foreign Ministry report is unofficial in the sense that it comes from an ad hoc committee of senior officials, not from a permanent division of the Ministry handling defence matters.

Until now defence issues have been the concern of a section of the Ministry's north American Bureau, whose main responsibility is Japan-U.S. relations.

The formation of a special committee to study defence issues reflects the belief of top officials in the Ministry that the issue had become too important to be handled only in the context of bilateral relations with the U.S.

Similar "global" issues such as North-South relations and the energy problem are expected to be handled by a parallel series of ad hoc committees to be set up in the next few months.

Lebanese politician shot

BY OUR BEIRUT CORRESPONDENT

A SENIOR member of the pro-Iraqi Ba'ath Party was murdered yesterday, as he drove on the road to Beirut International Airport. The murder is the latest in the continuing wave of assassinations in Lebanon.

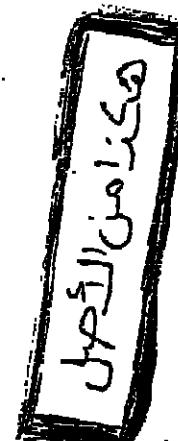
Mr. Musa Shalh, deputy leader of the party, which backs the Iraqi régime of President Saddam Hussein, was machine-gunned to death with his body-guard-driver.

The way the assassination was carried out was almost identical with that of the murder of Mr. Riad Taha, the late chairman of the Lebanese Press Association. Mr. Taha was shot last Wednesday.

Mr. Shalh's assassination has heightened tension and generated fear of further fighting here between supporters of the Iraqi régime and backers of the Iranian Revolution of Ayatollah Khomeini.

A Beirut link has been traced in the assassination in AMU Dhab on Sunday of Mr. Husam Mohammed, Second Secretary at the Iraqi Embassy there.

An anonymous caller telephoned newspaper offices in Beirut and said that a hitherto unknown group calling itself "The unit of Aref Al-Basri" was responsible for planting the bomb which had exploded at Mr. Mohammed's home.



AMERICAN NEWS

Canadian oil price talks break down

By James Rusk in Ottawa

Alberta will unilaterally set Canadian crude oil prices later this week following the breakdown of energy negotiations between the province and the federal government.

Premier Peter Lougheed of Alberta will meet his provincial caucus on Wednesday to decide what action to take, but the most likely immediate move seems to be an increase of C\$1 to C\$2 a barrel from the current level of C\$14.75 (\$13.06) a barrel, starting on Friday. An equivalent increase in natural gas prices can be expected later this summer.

A major reduction in oil supplies to the rest of Canada or even a gradual reduction by Alberta, which produces 85 per cent of Canada's crude oil, appears unlikely, although the province has the power to take such steps in its attempts to achieve its oil price goal.

Alberta is free to set prices as the current pricing agreement between it and the federal government runs out at the end of July. Despite four meetings in two days last week between Mr. Lougheed and Mr. Pierre Trudeau, the Prime Minister, the two sides are far apart on the terms of a new agreement.

Alberta wants the price to rise to about C\$37.25 a barrel by January, 1984, while the federal government proposes a price of C\$27.50 by that date.

Mr. Trudeau has acknowledged he may have to reconvene Parliament, which only last week broke for its summer recess, to deal with excessive unilateral action by Alberta. Under the Canadian constitution, Alberta has control of resources within its boundaries, while the federal government has control over inter-provincial trade, a constitutional arrangement that has left oil prices to bargaining between the federal and provincial governments since the sharp price increases by the Organisation of Petroleum Exporting Countries in 1973.

However, despite a history of difficult negotiations, this is the first time the two have reached an impasse. One reason for the bitterness is that Mr. Lougheed was within days of signing an agreement with the former Conservative Government of Mr. Joe Clark when it was defeated in the House of Commons.

In the subsequent election, Mr. Trudeau promised that he would get a better deal from Alberta than Mr. Clark. While Alberta has made some concessions in the current negotiations, Mr. Lougheed feels he has gone as far as he can without losing face.

Ottawa also wants to get a higher share of tax revenue from oil than the 10 per cent of price increases it gets under the current tax regime. To do so, it may impose an export tax on natural gas, a move strenuously opposed by Mr. Lougheed and the province of British Columbia, the other major natural gas producer.

The talks' failure also clouds the prospects for constitutional reform in Canada. While Mr. Trudeau is to meet the provincial premiers in Ottawa in September, in an attempt to rewrite and repatriate the Canadian constitution, Mr. Lougheed and the premiers of British Columbia and Saskatchewan are not likely to be co-operative unless the oil price issue is resolved.

David Buchan in Washington reports on the growing movement to find an alternative Democratic Presidential candidate

'Dump Carter' campaign starts to pick up steam

WHITE HOUSE writers have begun drafting President Jimmy Carter's speech accepting the Democratic Party's nomination as its presidential candidate at the party convention in New York in little more than two weeks. They are reasonably confident their work will not be wasted — and rightly so, because it would be a stunning political upset if Mr. Carter did not lead the party into battle against Mr. Ronald Reagan in the autumn.

But the eleventh-hour move by disgruntled Democrats to drop Mr. Carter from the ticket is gathering steam, as the bizarre revelations about his brother Billy's links with Libya trickle out daily, in advance of the Senate investigation into the affair, and the polls show the Democratic President and party behind the Republicans.

Several dozen Democratic congressmen met again yesterday to push for an "open convention" in New York, which would allow the 3,331 delegates to reassess the changed political situation since they were chosen in primary elections and state caucuses stretching back to January and February, and to vote for whom they please.

Representative Don Edwards, the most senior of this group, said yesterday the prime aim was to prevent the "tyranny" of the rule proposed by Mr. Carter's campaign which would require delegates to vote on

the first ballot for the presidential candidate whom they were originally chosen to support.

The aim, Mr. Edwards insists, is not to steal the nomination from Mr. Carter, who won nearly 2,000 delegates, nor to throw it to Senator Edward Kennedy, the President's only effective opponent in the primaries, who has the rest of the delegates.

Someone else

Most of those who want an "open convention" in fact want to drop both Mr. Carter and Mr. Kennedy in favour of "Someone Else" — a third person to heal the deep Carter-Kennedy breach in the party and lead the Democrats in harmony against the Republicans, now unified around Mr. Reagan.

Four names are being tossed around as filling this bill: Mr. Walter Mondale, the Vice-President, a likable, competent man who appeals to broad segments of the party but is already tied to the Carter ticket, Mr. Edmund Muskie, who has the same qualifications but is the starter-appointed Secretary of State, Representative Morris Udall, a liberal of the Kennedy ilk but who is inhibited by the fact that he is the New York convention's keynote speaker, and Senator Henry Jackson.



Mr. Muskie (left) and Mr. Mondale... likeable and competent

Only the latter, a conservative from Washington State, is really in a position to do anything to abet his possible candidacy. A prominent Democratic Party fund-raiser is now plotting a push for Senator Jackson, who contested the presidential race in 1972 and 1974, and who admitted yesterday that "all politicians appreciate flattery, and I am no exception."

For various reasons, all four are thus long shots. But there is nothing to stop their candidacies being promoted in New York. Only one delegate or state delegation needed to put a candidate's name forward for nomination.

Not since 1952 has a Democratic nominee emerged who played no part in the primaries. In that year the party turned to Senator Adlai Stevenson, over the head of Senator Estes Kefauver who had swept the primaries.

Very late

Twelve years ago, Mr. Hubert Humphrey entered the Democratic race and won the nomination, in the extraordinary circumstances of President Lyndon Johnson renouncing his candidacy for a second term and the assassination of Senator

Robert Kennedy.

The reason is that the increasing number of primaries has led to the vast majority of delegates arriving at conventions already committed to a candidate, as opposed to the old system where many were uncommitted.

The budding row about this year's convention is over the extent of delegates' commitment. Established Democratic Party practice is for candidates to select the men or women who stand on their behalf in primaries or caucuses. But Mr. Carter's campaign is now proposing a change in the rules (under which, for example, Mr. Carter won in 1976) so that delegates would have to stick by their candidate on the first ballot and, if that failed to produce a clear winner, then free them to vote for anyone they choose.

The self interest is manifest. With a big delegate majority for Mr. Carter going into the New York convention, he will have it locked up on that first ballot. They also argue that the rule change fairly supplements the spread of primaries in recent years. Mr. Kennedy's camp, on the other hand, claims it denies delegates any freedom of choice.

Both Mr. Carter and Mr. Kennedy are in the nomination fight to the end. Neither is going to step aside to let a third man emerge peacefully. Mr. Kennedy sees nothing but gain in growing support for his push for an

"open convention" — if he does not win, he might play a key role in swinging his troops behind another candidate opposing Mr. Carter.

The President is not going to be talked into stepping down (in favour of Mr. Mondale, for instance) as Sir Anthony Eden was in Britain after the Suez crisis of 1956.

But the "Billegate" row is unquestionably damaging, despite the warning at the weekend by Mr. Jody Powell, the White House Press secretary, that all should beware of drawing premature conclusions. Mr. Billy Carter is arriving in Washington this week to be grilled by Senate investigators before the public inquiry opens, and no one at the White House quite knows what other gaffes the younger Carter may reveal.

Certainly, Mr. Carter has had bad luck with his family. Only over the weekend, a nephew was arrested for drunk driving and possession of marijuana, and many Americans have come to regard Mr. Carter as jinxed.

He may reasonably claim, if he is interviewed in person by the Senate committee, that his Administration's use of Mr. Billy Carter last November as a go-between with the Libyans showed poor judgment, perhaps, but was done with the best intentions: to bring influence to bear on the Iranian regime (via Libya) to free the American

diplomatic hostages in Tehran. However, "good intentions, poor judgment" is how many Americans sum up Mr. Carter, who in last Friday's Harris poll was 28 points behind Mr. Reagan.

The label "Billegate" carries clear echoes of Watergate, and, in some ways, rightly. Mr. Carter's White House has made a conscious effort to publish all information as quickly as possible to avoid being accused of a cover-up. In its haste, it has omitted certain features, which the Press, smelling another political scandal, has since dug up.

Dragged down

More important has been the sentiment of many Democrats that they must not be dragged down by scandal as the Republicans were by Watergate. The core of those pushing for an open New York convention, even if that means dumping President Carter, are Congressmen — Tim Wirth, Michael Barnes, Thomas Downey, Jerome Ambro — elected as Democrats after Watergate. They then benefited from Mr. Nixon pulling the rug from under his own Republican Party, and do not intend to have promising political careers cut short by the same thing happening to them.

Slowdown seen in energy use

By David Lascelles in New York

A SHARP slowdown in the growth of world oil use and a parallel levelling in the rise in oil prices are seen in the latest world energy forecast put out by the U.S. Department of Energy.

The report is the first since the explosion of oil prices last year, and lays out the U.S. Government's view of the energy scene for the rest of this century and beyond.

The report expects that total world oil use will remain at or around its 1978 level of 50.3m barrels a day (b/d) for the first half of the 1980s, with a high of 51.2m b/d and a low of 49m b/d in 1985. After that it will rise to between 51.3m b/d and 57m b/d in 1990, and to between 56.3m b/d and 66.4m b/d in 1995.

This is approximately in line with oil industry projections. For instance, Exxon, in its 1980 world energy outlook published in March, forecast world oil demand of 60m b/d in 1990, and 65m b/d in 2000.

The Energy Department also expects U.S. oil consumption to ease off, resulting in a decline in U.S. oil imports, currently the largest single factor on the world oil market. Net oil imports which will be just under 7m b/d this year, could fall to 5.9m b/d by 1985, though they will probably level out after that.

In its report, Exxon forecast that oil imports could fall to the 5.5m b/d range by the 1980s, but only provided the U.S. succeeds in establishing a 6m b/d synthetic fuel industry.

The Energy Department concludes that the easing in world oil demand will produce a far slower increase in real oil prices in the 1980s than in the 1970s. By 1990, it forecasts, oil could be in the range of \$27 to \$44 a barrel, with \$37 a likely average, expressed in 1979 dollars. This is only a few dollars above the current market price.

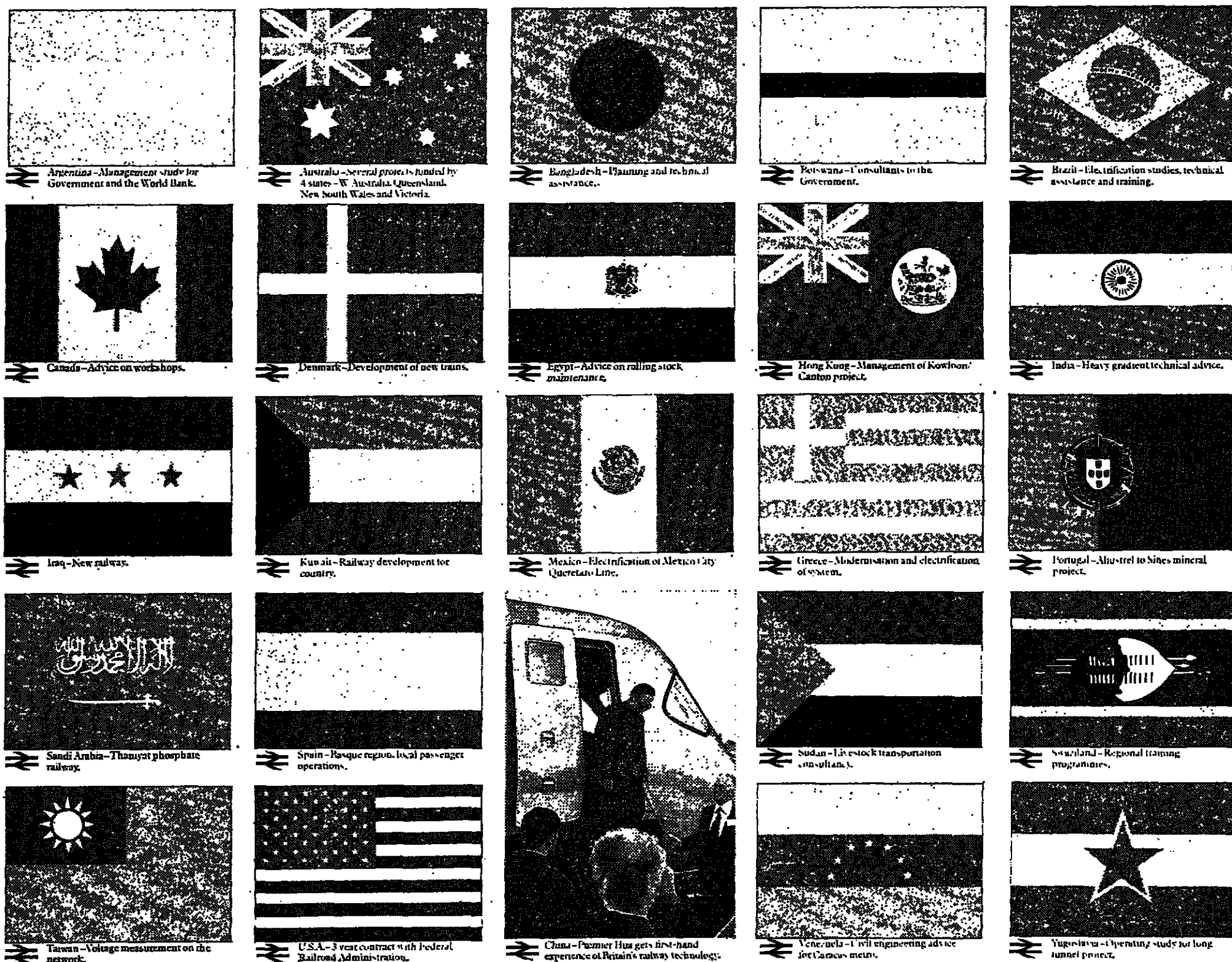
David Lascelles adds from New York: Orders for machine tools, an important economic barometer, are holding up quite well, judging by the latest figures compiled by the National Machine Tool Builders' Association. But there are some signs of weakness.

New orders expressed in dollars rose 5.3 per cent between May and June, and the June figure was 8.1 per cent up on the same month last year. However, in real terms there was probably a fall given that inflation has been running at over 10 per cent. Longer term trends also show that orders have been weaker this year than they were in the opening months of last year.

The outlook will clearly depend on business perceptions about the recession, and the amount of spending planned. The recent decline in interest rates and the growing feeling that the recession may be past the worst could give an impulse to spending.

There is also a steady flow of orders from the car and aviation industries, which are tooling up for new generations of cars and aircraft.

However, declining profitability and low operating rates may cause businesses to put off capital spending until the economy gives firmer signals that the



U.S. productivity falls 4.1% in quarter

BY OUR WASHINGTON CORRESPONDENT

PRODUCTIVITY in the U.S. fell at an annual rate of 4.1 per cent during the April-June quarter this year, the Government reported yesterday. It was the largest quarterly decline since a drop of 4.7 per cent in the second quarter of 1974, during the last economic recession.

Though the Administration has expressed concern about the country's long-term decline in productivity — the measurement of output per hour worked — the last quarter's dramatic decline is clearly a reflection of the sharp drop in the same period in Gross National Product, a fall of 9.1 per cent at an annual rate.

The April-June productivity rate did not fall quite as sharply as the decline in GNP because during the same period unemployment rose abruptly to a level of 7.7 per cent in June.

The 4.1 per cent annual drop during the 1980 second quarter was for the non-farm business sector, measurement that is closely watched by economists because it excludes the fluctuations in farm output.

The long-term drop in U.S. productivity remains a mystery to many economists, though some have blamed increased environmental health and safety regulations in recent years as pushing the industry's costs with-

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However, declining profitability and low operating rates may cause businesses to put off capital spending until the economy gives firmer signals that the

The trouble with a Chinese deal is that an hour later you're hungry again.

AN APPETITE FOR EXPORT

Every success makes us hungry for more. For the last 18 months, Transmark, British Rail's transport consultancy subsidiary, has been managing the total modernisation of the Hong Kong section of the Kowloon-Canton Railway between Kowloon and the border with the People's Republic of China at Lo Wu.

On 29th November, 1979, the Minister of Transport signed an agreement with his opposite number from the People's Republic of China, for cooperation on railway technology intended to embrace both the public and private sectors.

Since then, Transmark has submitted proposals for the modernisation of the 145 kilometres of railway from the Hong Kong border to Canton.

FLOG THE FLAG

Britain's rail expertise and ingenuity pays off globally. Since the beginning of 1979, Transmark have been involved in more than 75 projects in 29 countries spanning 6 continents — a feat which builds upon previous successes which won them the Queen's Award for Export Achievement.

WE CAN STILL SHOW

AMERICA A THING OR TWO. One of Transmark's most recent achievements is a three-year contract with U.S. Federal Railroad Administration.

Transmark's consultants will assist on a wide spectrum of problems facing the Administration. Immediate projects will be the modernisation of the Washington-Philadelphia-New York-Boston corridor services, and advice on passenger services for the Michigan Department of Transportation.

THE TRAIN DRAIN

Not a loss to the country, just the opposite. At the start of this year, our manufacturing division, BREL (British Rail Engineering Ltd.), had non-BR orders worth over £54 million, 93% of which were for export.

These orders included freight wagons for Kenya and Bangladesh, won in collaboration with the private sector. Currently, the export market for wagons averages £40 million per year.

CLEVER PEOPLE, WE BRITISH

British trains and rail technology are in demand all over the world.

Thus, the high-speed diesel Inter-City 125 is currently being

manufactured for use in Australia in 1981.

The new Advanced Passenger Train has great export potential, too. It can provide high-speed passenger services in countries where building a completely new railway would be financially impractical. Already, two private sector companies are selling equipment which is a spin-off from the APT at home and abroad.

At the other end of the spectrum, our "Rail Bus" is a unique development, which uses the same modular construction as Leyland buses, to provide small trains for local community services. This was recently demonstrated to the U.S. Government in Boston and, subsequently, an order was placed with British industry.

SPREADING WATER ON TROUBLED OIL

As a result of the BR oil conservation programme carried out over the last four years, a new diesel oil "laundering service" is now being marketed via a tie-up with the private sector throughout

the U.K., and is being marketed by Transmark throughout the world.

This new process could save diesel fleet users up to 50% of their lubricating oil costs; roughly £10 million a year within the next two years.

A SHOP WINDOW FOR THE WORLD

Britain has always been a major supplier to railways of the world. In the last two decades we have developed superior skills through running a highly rationalised railway network.

Our technology now puts the British railway industry in a strong position to export to world markets.

What we still need is a long-term plan for steady investment — for example, as provided for in the BR projections for broadscale electrification.

This would give the home industry, in the private sector as well as British Rail, the sort of healthy base it needs to compete even more effectively in the export market.

TODAY CHINA... TOMORROW?

The future is inscrutable. We've had successes, but not our fill. Not surprisingly, we're hungry again.

This is one of a series of advertisements designed to increase public awareness of the position of the railways in the national transport system and also to the fact that the companies are keen and open to suggestions for improvements in their services. The advertisements are being placed in the long-term in order to address the public in a wider audience, which needs to be made informed if it is to play its part in helping to secure public opinion.



This is the age of the train

WORLD TRADE NEWS

BRITAIN'S LEADING EXPORTERS

BP leads; three companies top £1bn

BY GEOFFREY OWEN

BRITISH PETROLEUM was again the UK's largest exporter in 1979, but ICI moved up to win second place, followed by Ford and BL.

BP's figure of £1,326m consisted of oil and chemical products exported from the UK; the contribution to the balance of payments arising from its North Sea activities was £1,650m.

BL can fairly claim to be a larger net contributor to the balance of payments than Ford or ICI since the import content in its sales is small. ICI's net contribution, after allowing for direct imports of £516m, was £592m while Ford was in net deficit last year, mainly because of the unusually high volume of its vehicle imports.

The gap which separates the top four from their pursuers has narrowed. GEC, whose exports used to be about half those of BL, is not far from catching up: in the year to March 1980 its exports rose to £805m.

This is the eighth year in which the Financial Times has published its annual league table of exporters. The figures relate to direct exports of manufactured goods, as stated in annual reports or obtained from the companies. Except where otherwise stated, the figures relate to the financial year which ended in 1979.

Fluctuations between one year and the next are not necessarily significant. The performance of capital goods

producers, in particular, is affected by the timing of contract completions. Partly for this reason Davy Corporation has changed its method of reporting turnover to take into account both the value of contracts closed and the movement in work in progress during the year. 1978 figure shown in the table is based only on contracts closed and so is not comparable with 1979.

Lonrho fills 100th position in this year's list, followed by Gestetner on £53.5m. There is a cluster of companies in the £49m-£53m range. These include Smithy Industries, Bercel, Illingworth Morris, Polaroid, Tilling, Cadbury Schweppes, Laird Group, Ingersoll Rand, Boots and Rank.

Among the companies which have made substantial progress up the table since 1972 are Racal, Fisons, Ciba Geigy, Rothmans International, Babcock and Wellcome Foundation. Companies which have slipped off the list include Sears Holdings, Singer and Hoover, while others which have moved well down include BSR, Decca, Coats Patons and Tootal. EMI, which climbed from 98th position to 27th between 1974 and 1977, was back to 95th in 1979.

As stated in previous years, it is almost impossible in a list of this kind to avoid some errors and omissions. It is hoped that these will be brought to our attention by the companies concerned.

THE TOP HUNDRED EXPORTERS-1979

Previous year's ranking is given in brackets

	1979	1978		1979	1978		1979	1978
	£m	£m		£m	£m		£m	£m
1 (1) Brit. Petroleum	1,326	1,259	36 (34) Thorn	128.1	124	71 (80) Vickers	75.6	62.9
2 (3) ICI	1,108	856	37 (58) Simon Engineering	127.8	83.3	72 (68) Fisons	74.7	73.3
3 (4) Ford	1,010	775	38 (50) Int. Harvester	122	90	73 (78) Booker McConnell	73.6	64.2
4 (2) BL	865	910	39 (19) Talbot	121	209	74 (85) Imperial Group	71.7	61.0
5 (5) GEC	751	665	40 (43) John Brown	118.1	97.1	75 (79) Metal Box	69.5	63.4
6 (6) British Steel	627	654	41 (44) RTZ	117.7	95.2	76 (71) Blue Circle Ind.	69.4	69.6
7 (7) British Aerospace	576	487	42 (42) IMI	117	102	77 (72) Delta Metal	69.1	68.6
8 (9) Royal Dutch Shell	561	423	43 (53) Cummins	116	87.7	78 (92) D. Brown Tractors	68.8	61.8
9 (14) IBM	433	334	44 (47) Eng. China Clays	114.1	93.5	79 (77) Grand Metropolitan	68.1	65.5
10 (10) Courtaulds	425	388	45 (40) Turner & Newall	113.743	109	80 (—) Allied Breweries	68.0	38.8
11 (8) Unilever	392	468	46 (36) Plessey	113.738	120	81 (100) Borg Warner	66.37	50.9
12 (26) Esso Petroleum	374	207	47 (38) NEI	112.0	115	82 (86) Rolls-Royce Motors	66.35	60.3
13 (11) Massey Ferguson	351	364	48 (49) ICL	111.5	92.4	83 (48) Weir	65.4	93.4
14 (12) Rolls-Royce	348	341	49 (46) Kodak	108	94.0	84 (83) J. C. Bamford	64.8	61.6
15 (27) Conoco	342	153	50 (63) Mobil	106	79.9	85 (73) Tate and Lyle	64.2	67.1
16 (15) Distillers	333	300	51 (51) Racal	99.31	89.1	86 (91) Coats Patons	63.41	62.7
17 (13) Hawker Siddeley	314	361	52 (62) Associated Octel	96.3	80.7	87 (84) Rowntree Mackintosh	63.37	61.3
18 (16) Tube Investments	240	230	53 (54) Wellcome Fndtn.	96.0	87.2	88 (99) Dowty	62.1	50.9
19 (69) Davy	223.7	73.0	54 (56) Michelin	93.2	85.0	89 (90) Molins	61.987	57.9
20 (24) Rothmans Intl.	217	168	55 (59) Beecham	90.0	82.5	90 (95) Assoc. Engineering	61.985	54.1
21 (22) GKN	216	193	56 (61) Gulf Oil	89.4	81.9	91 (87) Pilkington	61.3	60.0
22 (23) BAT Industries	210.1	175	57 (89) Esso Chemical	88.42	58.2	92 (92) Alcan UK	60.4	56.7
23 (17) Vauxhall	205	229	58 (67) Seagram	88.35	74.8	93 (91) Guinness	59.4	57.8
24 (18) Brit. Shipbuilders	202	228	59 (60) Stone Platt	88.3	82.3	94 (88) Decca	58.6	59.4
25 (25) Lucas	191.4	155	60 (70) Burrell	88.1	72.1	95 (85) EMI	57.5	94.4
26 (21) Inco Europe	190.9	140	61 (65) S. Pearson	87.4	76.7	96 (96) Tootal	56.8	53.7
27 (21) BICC	190	196	62 (57) Reed Intl.	87.24	84.6	97 (—) BTR	55.6	39.5
28 (25) Philips	177.0	167	63 (55) Acrow	87.23	87.1	98 (94) Westland	55.1	54.7
29 (32) Bank Xerox	176.8	136	64 (52) Albright & Wilson	87.0	89.0	99 (66) BSR	53.9	75.5
30 (37) Johnson Matthey	174	116	65 (64) De La Rue	82.2	77.7	100 (—) Lonrho	53.6	30.3
31 (29) Dunlop Holdings	155	152	66 (74) Monsanto	77.89	66.3			
32 (28) Babcock Int.	151	153	67 (76) Du Pont	77.89	66.3			
33 (23) Ciba Geigy	148	128	68 (41) Texaco	77.88	105			
34 (39) Caterpillar	135	144	69 (—) STC*	77.3	84.5			
35 (35) Glaxo	133	124	70 (75) BOC International	76.4	66.5			

* Not comparable with 1978 (see text)
† 12 month rate based on £263m for 1978
1 months ended December 31, 1979; † Calendar year ending January 31, 1980.

* Not comparable with 1978 (see text).
† 12 month rate based on £16m for 15 months ended December 31, 1979. ‡ Calendar year. § Year ending January 31, 1980.

Carrington visits Latin America

By Richard House

BRITAIN'S Foreign Secretary, Lord Carrington, tonight begins a 10-day tour of Latin American countries intended to strengthen Britain's political and commercial ties with Brazil, Barbados, Venezuela and Mexico.

Lord Carrington's talks with Government leaders in the four countries are expected to concentrate on political issues, while an accompanying group of British businessmen led by Lord Limerick, the Chairman of the British Overseas Trade Board, will develop commercial interests.

Lord Carrington's visit begins in the north eastern Brazilian city of Recife, and in Brazil he will meet President Joao Figueiredo, and Foreign Minister Ramiro Sarriya Guerreiro.

Britain signed a memorandum pledging co-operation on bi-lateral and international issues with Brazil in 1975, and the British delegation is expected to express continued interest in Brazil's development.

As well as visiting an irrigation project in the drought-prone Pernambuco State, the Foreign Secretary will visit the \$3.5bn (£1.46m) Acominas Iron and Steel project in Minas Gerais, one of Britain's main contributions to Brazilian development. The plant, for which Britain has supplied finance and equipment, is expected to go into operation next year. However, severe cuts in Brazil's public spending mean that the Acominas building schedule has been slowed down. Amongst those in Lord Carrington's party who will be concerned with the progress of the project are representatives of Davy Ashmore, the project managers.

Lord Carrington's group will leave for Barbados on August 2, where his talks in Bridgetown are expected to be dominated by the question of independence for Belize. Britain's remaining colony in the American continent, Barbados is among the countries backing the Belize claim for full sovereignty.

The final leg of Lord Carrington's tour is Mexico, which was also visited last month by the Industry Secretary Sir Keith Joseph. Britain currently supplies about 2.5 per cent of Mexico's import needs.

Lord Carrington's visit comes at a time of increased diplomatic activity in the region, with visits by senior British diplomats to Argentina, Peru, Colombia, Ecuador and Bolivia. Last week, Britain announced that the ban on arms sales to Chile would be lifted.

Bid to increase UK fabric exports to Hong Kong

BY RHYS DAVID

BRITAIN'S textile manufacturers are to try and increase their sales of fabric to Hong Kong, the world's leading exporter of clothing and by far the biggest supplier to the UK market.

A team from the UK industry led by Mr. Cecil Parkinson, a minister at the Department of Trade, will leave for Hong Kong this autumn and it is also hoped to stage an exhibition of UK products in Hong Kong.

The mission comes in the wake of strong hints from Hong Kong that the UK industry with its serious concern over the impact of imports may be missing but on significant opportunities in a fast-growing market. The UK Government which is under strong pressure from the textile industry to

tighten controls on imports, has itself been trying to identify new markets to which the British industry could step up exports.

In order to meet production capacity in its clothing factories, Hong Kong has become the world's largest net importer of textiles after the Soviet Union. In 1979 textile imports at £1bn were equivalent to roughly one-eighth of the territory's total imports bill. Exports of clothing reached £2bn and of textiles £370m.

Some 84 per cent of Hong Kong's textile imports are supplied by five Asian countries: China and Japan, each with around one-quarter of the market.

Britain's share, of the Hong

Kong market last year was 1.8 per cent, compared with 2.5 per cent for the U.S., 1.4 per cent for Germany, and 1.3 per cent for Italy. Mr. Denis Bray, the Hong Kong Commissioner in London, pointed out. The UK performance was attributable to woollen fabrics — where Britain has 15 per cent of the Hong Kong market — and that in other product categories the UK was out-ranked by the U.S., Canada, Germany, Italy and France.

Areas where Britain could make a bigger impact include shirting materials and fashion fabrics, a market almost entirely supplied at present by Japan. Britain could also be selling woollen yarn and far greater quantities of woollen fabrics.

Australia in China sugar deal

BY PATRICIA NEWBY IN CANBERRA

AUSTRALIA and China have finalised their first long-term sugar agreement.

The contract between China National Cereals, Oils and Foodstuffs Import and Export Corporation and CSR, the marketing agent for the Queensland Government, involves the sale of 250,000 tonnes of sugar each year for three

years starting in 1981.

China joins Japan, Malaysia, South Korea, Singapore, New Zealand as a long-term contract customer for Australian sugar.

Australia now has long-term export contracts running to 1984 totalling more than 4.7m tonnes of sugar.

The finalising of the China

contract will provide a further fillip to the sugar industry which has doubled its income in the past year and last week was given approval to increase the amount of land under sugar cane by 5 per cent. China has been an important market for Australian sugar since 1972 with average sales over the past five years of 200,000 tonnes a year.

Taiwan eases European car ban

TAIPEI — Taiwan will lift an import ban on European cars with engines of below 3,000 cc effective from August 1, the Board of Foreign Trade announced.

The decision to remove the ban on these imports, which include station wagons and utility vehicles, is part of the Government's effort to narrow the trade imbalance with Europe, a board spokesman said.

In the first half this year,

Taiwan had a trade surplus of \$607m with Europe. The spokesman said the import of these cars from Europe will not be limited. In addition, cars built by European-owned plants in the U.S. will also enjoy the same treatment.

Taiwan lifted an import ban on U.S. cars three years ago but still bans the import of Japanese cars because Taiwan has a large trade deficit with Japan.

The outlet, operated through

Toyota's Kuwait import agent is the company's first car leasing business in the Middle East. It is geared to lease 50 cars a month, primarily to visiting businessmen on a weekly or monthly basis.

Company officials also disclosed that Toyota will establish a car rental outlet in Thailand towards the end of this year. The Thailand operation will be the company's fourth car leasing business in Southeast Asia. Agencies

Pao restructures tanker fleet

BY WILLIAM HALL, SHIPPING CORRESPONDENT

SIR Y. K. PAO, reputedly the world's largest independent shipowner, is undertaking a major restructuring of his shipping fleet. Over the next couple of years 51 ships totalling 3.0m dwt and worth over \$1bn will be delivered to his World-Wide Shipping group.

The Hong Kong group controls the world's largest independent fleet of very large crude carriers (VLCCs)—30

ships of 12.6m dwt. However, all of the new ships are either small tankers or bulk carriers.

Once the new building programme is completed the profile of World-Wide's fleet will have changed dramatically.

Sir Y. K. Pao almost certainly has a greater tonnage of shipping on order than any other independent shipowner. Some 85 per cent of the new ships have been fixed on medium-term charter, and negotiations are in progress concerning the balance.

The World-Wide fleet currently consists of 202 vessels aggregating some 20m dwt. The new ships on order are 19 bulk carriers (0.8m dwt), 11 ore/bulk carriers (0.1m dwt), 4 log/bulk carriers (0.8m dwt) and 4 product carriers (0.2m dwt).

The ships range in size from a 23,900 dwt bulkers to a 180,000 dwt ore/bulk carriers.

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Consolidated Statement of Condition, June 30, 1980

ASSETS	
Cash and Due from Banks	\$ 9,965,293.000
Interest Bearing Deposits with Banks	5,501,188.000
Federal Funds Sold and Securities Purchased under Agreements to Resell	651,150.000
Investment Securities (Market Value \$2,413,223.000)	2,483,877.000
Trading Account Securities (Market Value \$127,874.000)	127,874.000
Loans	26,080,426.000
Lease Financing Receivables	2,082,604.000
Total Loans (Net of Unearned Discount of \$653,826.000)	28,143,029.000
Reserve for Possible Loan Losses	(250,882.000)
Net Loans	27,892,147.000
Premises and Equipment	200,624.000
Customers' Liability on Acceptances	1,971,797.000
Accrued Interest Receivable	573,759.000
Other Assets	525,337.000
Total	\$48,892,846.000
LIABILITIES	
Demand Deposits	\$14,439,336.000
Time Deposits in Domestic Offices	6,720,438.000
Deposits in Foreign Offices	18,189,933.000
Total Deposits	39,349,708.000
Federal Funds Purchased and Securities Sold under Agreements to Repurchase	1,841,481.000
Short-Term Borrowings	2,489,223.000
Acceptances	2,048,533.000
Accrued Taxes and Other Expenses	1,024,888.000
Other Liabilities	581,125.000
Long-Term Debt	930,556.000
Total Liabilities	48,265,314.000
SHAREHOLDERS' EQUITY	
Common Stock (par value \$7.50)	
Authorized—40,000,000 shares	
Outstanding—33,268,817 shares	249,516.000
Surplus	440,827.000
Undivided Profits	937,189.000
Total Shareholders' Equity	1,627,532.000
Total	\$48,892,846.000

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Manufacturers Hanover Banque Nordique, Paris, France

Manufacturers Hanover Asia Ltd., Hong Kong

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Miami, Florida

Manufacturers Hanover Executor & Trustee Company, Ltd., London, England

Manufacturers Hanover Commercial Corporation, New York, New York

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British Gas market policy attacked by Monopolies report

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

WIDE-RANGING criticisms of the British Gas Corporation's monopoly in the sale of domestic gas appliances are made in a report by the Monopolies and Mergers Commission out today.

The criticisms could encourage the Government to have more than 800 showrooms operated by British Gas in an attempt to improve price competition for gas cookers and water and space heaters.

The report was requested by the Office of Fair Trading two and a half years ago to determine whether the marketing of gas appliances operated against the public interest.

British Gas is believed to account for at least 95 per cent of gas cookers sold in the UK, some 84 per cent of space heaters such as gas fires, and 73 per cent of water heaters.

However, British Gas has only just under a third of the market for gas central heating systems.

The Monopolies Commission is understood to have been particularly concerned at the lack of price competition for gas appliances, especially for

gas appliances are usually sold in British Gas showrooms at or around the retail price recommended by manufacturers.

This is in sharp contrast to the electrical appliance market where price discounts can be as much as 40 per cent below the recommended retail price.

Electricity Board showrooms do not have anything like the same degree of market dominance as the gas showrooms.

British Gas has more than 900 authorised dealers who were appointed mainly before British Gas was set up. These dealers operate in the same way as the showrooms, except that they are independently owned and managed.

However, since they depend on British Gas for supplies, they are not generally considered as real competitors.

Otherwise there are few retail outlets apart from some department stores and discount shops, such as Comet, which provide any real competition. In some areas there are no alternative sources for buying gas appliances.

Factory deals will bring new jobs to South Wales

BY ROBIN REEVES, WELSH CORRESPONDENT

TWO ADVANCE factory construction deals with the private sector worth £9.5m aimed at attracting new jobs for steelworkers made redundant at Port Talbot and Llanwern, have been announced by the Welsh Development Agency.

The Norwich Union Insurance Group, has agreed in principle to a £5.5m sale and lease-back arrangement with the WDA for 240,000 sq ft of new factory space at Bridgend, South Wales.

The other project is the agency's first "turnkey" venture. It is buying a 16-acre site on the Newport industrial estate from Wimpey Construction and placing a £4m contract with the company to provide 184,000 sq ft of factory space. The factories will be suitable for subsequent sale as investments to financial institutions.

The two deals reflect the Government's wish to involve

the private sector more closely in financing agency activities. The WDA is the Welsh equivalent of the National Enterprise Board.

Last week the WDA announced that CIN Properties, the miners' pension fund property arm, had agreed to invest £3m in building advance factories at selected sites in Wales.

Under the agreement with Norwich Union, the WDA will finance the construction costs of 19 factory units, ranging from 8,000 sq ft to 20,000 sq ft, on the Waterton Estate, close to Ford's new European engine plant. They will also finance 25 smaller units between 1,500 sq ft and 4,500 sq ft on the well-established Bridgend Industrial Estate.

The funds released by these sales will be used to finance the further factory building in the Port Talbot area.

Plaid Cymru calls for Welsh economic plan

A RENEWED call for a Welsh economic plan and the strengthening and streamlining of agencies involved in industrial development and manpower in Wales was made yesterday by Plaid Cymru, the Welsh Nationalist Party, writes Robin Reeves.

In a memorandum on the Commons Welsh Affairs Select Committee investigation into job prospects in Wales, whose findings are due to be published on Thursday, Plaid Cymru says the evidence has made it clear that without a drastic change in attitude towards public expenditure, Wales faces a massive recession.

It suggests that on present policies a Lloyds Bank review projection of 27.3 per cent unemployment in the region by

1991 is more and more likely.

Besides calling for the setting up of a Welsh National Economic Commission with the power and resources to draw up and implement an economic plan, Plaid Cymru argues there is a need for streamlined industrial development advice and co-ordination services.

At the moment a manufacturing unit setting up in Wales could find itself confronted with a plethora of bodies.

Plaid Cymru criticises the scope and depth of the committee's investigations and some of the evidence. But it is complimentary about the chairmanship of Mr. Leo Abse, Labour MP for Pontypool. He performed this task with "admirable skill and thoroughness."

Crude yardstick on local spending 'misleading'

BY ROBIN PAULEY

ATTEMPTS by the Government to create a standard system for evaluating local government expenditure needs are doomed because the UK has 10 different systems of local government, says a research report published today.

"A crude direct comparison between expenditure per head on specific services or aggregate expenditure is misleading. It would be based on the assumption that categories of expenditure have a uniform significance throughout the UK. This is not the case," says Edward Page, of the Centre for the Study of Public Policy, University of Strathclyde.

These problems of comparison have become fundamental to Parliament which is asked by the Government to approve "standard" measures of need and provision, thus identifying local authorities that are judged to be "overspending."

There are five different local government systems in England. The greater London area has three different divisions of functions and powers, and three are different systems of local Government in English metropolitan and non-metropolitan areas. In Scotland, there are three systems and one each in Wales and Northern Ireland. Within each system, powers can be further sub-divided on a two-tier basis.

In public expenditure terms, the amount of rate fund expenditure per head varies from £279 in the Scottish islands and £380 in inner London, down to

£228 in English non-metropolitan areas and £24 in Northern Ireland.

Differences in housing expenditure are similarly variable in the different local government systems. It is highest in inner London (£149) and outer London (£85), and nil in Northern Ireland, where housing is among the functions which have been taken away from local authorities (others being education, libraries and social work).

The report suggests that, restricting an examination to England and Wales, only seven out of 17 categories of expenditure are even broadly comparable. They are fire, police, refuse collection, environmental health, cemeteries, general administration and rate fund support for passenger transport.

By using a statistical technique for standardising expenditure patterns and social characteristics, Mr. Page has found that throughout the UK authorities receiving greater grants from government—usually areas of high social need—also tend to raise more money on the rates. This confirms that grant is not usually used to keep rate levels down, but to finance higher levels of local expenditure.

Labour authorities are shown to be likely to raise rates beyond the level indicated by measurement of needs.

Local authorities in Wales provide an interesting contrast. Councils in Wales receiving higher central government grants tend to cut the rates.

Anthony Moreton begins a light-hearted journey around an England facing the worst depression since the thirties. A Norwich Christmas cracker factory is his first stop—and even the cracker makers have their problems. Tomorrow: Cromer.

The hidden costs of the Christmas cracker trade

THE ROAD from London to Norwich passes through some of the richest farmland and some of the most beautiful countryside in England. It meanders past Cambridge and Newmarket and then through market towns such as Thetford and Wymondham. Slight detours will take you to Diss, Dereham or Bury St. Edmunds.

The Anglo-Saxon traces are everywhere, and not only in the names. Flintstone churches manage to keep their churchyards neat and tidy. There are notices everywhere offering raspberries, peas, lettuce, cucumbers, eggs, fruit and flowers. The sale of garden produce is well cultivated—indeed, it has become almost a cottage industry.

It is difficult to visualise, as the villages glide past, that unemployment in Britain is heading for two million, short-time working is increasing, interest rates are at historically high levels and the worst recession since the war is upon us.

As the lady in Guisborough, further north in Cleveland, was to tell me: "The recession is here, and now. You can see it on the street outside my door."

Norwich would not, therefore, be the best starting point for a journey round England if its only raison d'être was to find people and firms who are

living on their nerves—their or their bank manager's.

But it is a good point to start because it exhibits the salient factor about working life today: if you are out of work and without a technical skill it is very difficult. If you are in work your standard of living will almost certainly be higher than ever. But even in work the pressures are there and they bear just as heavily on the manager as on the shopfloor worker. One man who knows all about

crackers which, like cricket, followed the flag as the Empire was built. But there are other nationalities, like the Germans who have many festivals, and the French who buy crackers in large numbers, thus there are many languages that find their way to the Tom Smith factory on the Salhouse Road.

Gordon Pennington and his works director, David Oates, know all about the recession because it is costing them a lot of money. They make about 45m crackers a year, almost half those produced in Britain.

Unfortunately for them, crackers are almost entirely sold on the retail market within a couple of weeks of Christmas. So they have to carry steadily mounting stock throughout the year, and with high interest rates throughout the winter, this proved very costly.

"We made our plans last year on the assumption that high interest rates would last until February," Mr. Pennington says. "We thought they would then be moving down. But they didn't, and the cost of the high rates will just have to come out of profits."

"We have tried to find savings within the company rather than pass cost increases on. So we took a hard look at the claims for our cash and held back on some items."



those pressures is Gordon Pennington.

For the past 13 years Mr. Pennington has been managing director of Tom Smith Ltd. and during those years the world has beaten a path to his front door. His firm is a world leader. It makes micro-chips or some advanced technical wizardry? No, Tom Smith makes Christmas crackers.

The British invented Christmas



It is Christmas every day at Tom Smith Ltd. Managing Director, Gordon Pennington, with a stock of snow novelties

One of the items the company held back on was the introduction of new machinery. So in future years Tom Smith Ltd. will not be quite as efficient as it would want to be.

Tom Smith Ltd. starts making crackers for Christmas in the October of the previous year. A discount is offered to anyone buying in July, but the big selling months is September, when 60 per cent of stock is shifted. By the end of October the wholesalers will have all but completed their purchases and another production cycle will begin.

Pennington has tried to lengthen the selling season, but the shops are unwilling to allocate shelf space for crackers at any time other than the Christmas run-in. "There is nothing especially 'Christmas' about the cracker," says David Oates, "except that they are inextricably linked in the public's

imagination. "We could sell them for lots of other festive occasions, as they do on the Continent. But we can't get this idea past the middleman."

Although the Christmas cracker is a British invention, we copied an idea from the French who, in the 1840s used to wrap sugared almonds with love mottoes and put them on side-plates for festive occasions. Tom Smith, a London confectioner, saw the gifts and brought them back.

Like many ideas, it failed to cross the Channel. Somehow, according to Mr. Pennington, the British did not take to covered almonds. However, somewhere along the line Tom Smith covered the almond with brown crepe paper and fashioned it in the shape of a yule log. The Victorians took to that.

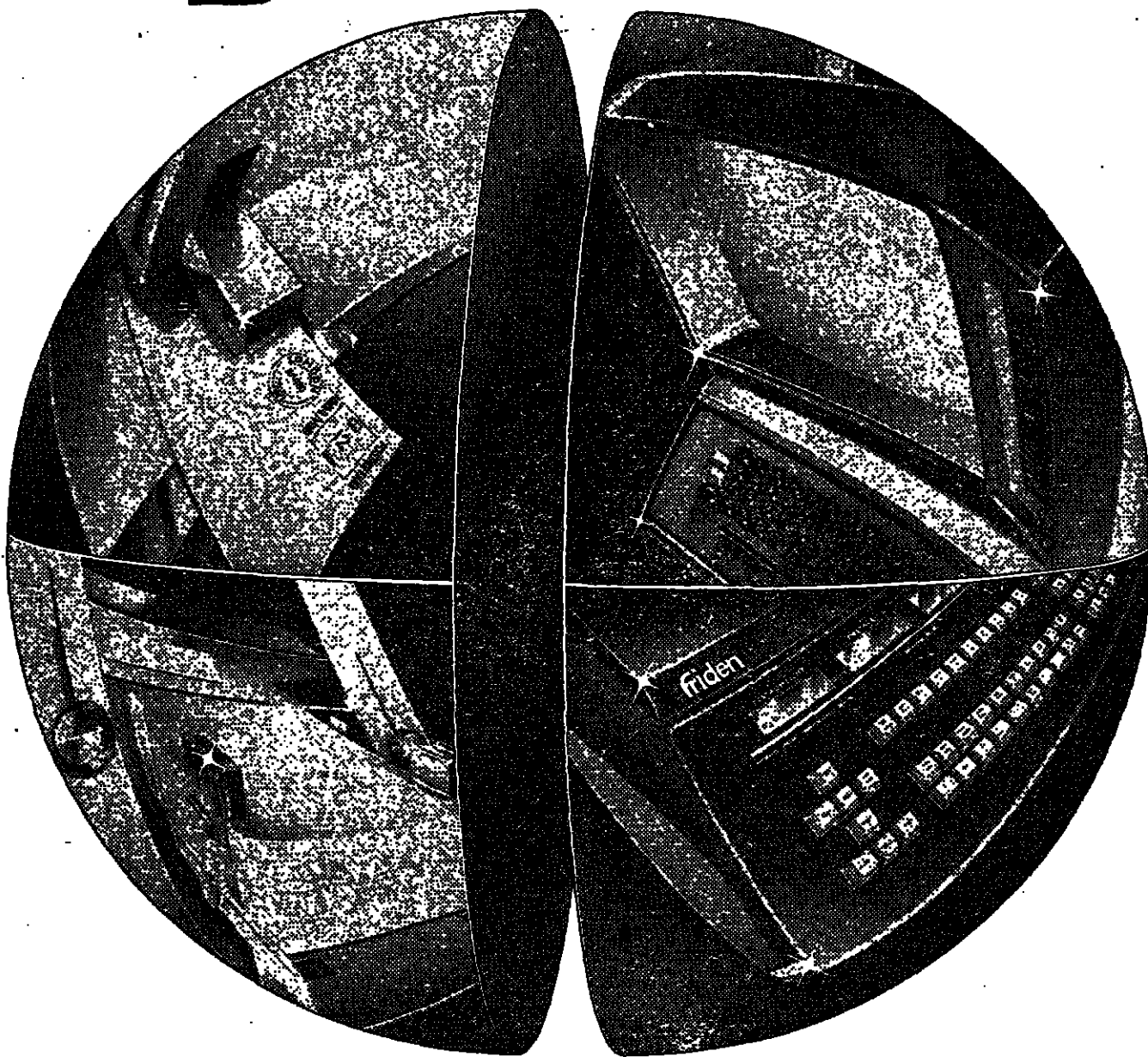
Their "belief" in this new product took off even more when

the snap, or bang, was introduced around 1880. The Christmas "cracker" was born and Tom Smith and his company never looked back.

About the same time the almond filling was replaced by a charm—some of the early ones came from Japan—and the love notes had become the mottoes which we know today.

Contrary to popular view, the mottoes do not change all that much. There are about 72 of them and the company uses 24 each year. "We rarely add to them," David Oates says, "although people continually send new ones in to us. We have to be very careful with the wording and the meaning, so careful that we have a committee looking at them continually. We have to exclude all Irish jokes and those which refer to mothers-in-law. Jews, blacks. Topical jokes are out, too, for obvious reasons."

Growing from strength to strength



Roneo Mailroom and Reprographics have joined forces with Alcatel to bring you total command of office communications.

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There's hardly a business concern in this country that's not operating more efficiently thanks to Roneo.

And the same can be said for many more companies spread right round the world.

In fact, over the years, the name Roneo has grown to become synonymous with the very best in sophisticated Mailroom and Reprographics equipment.

RONEO AT WORK

In the mailroom Roneo Neopost has really stamped its authority with a wide and versatile range of franking machines and paper handling and addressing systems.

In copiers, Roneo have come up trumps with their Space Aces.

An advanced range of easy to operate, compact copiers that combine speed with copying quality.

Roneo have also mastered the sphere of offset printing in the office, with a range of single control machines which provide high class print quality.

Then there's the famous Roneo range of superb and highly sophisticated Stencil Duplicators.

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Roneo is already accepted as a world leader in automated Mailroom and Reprographic technology. But has so far been unrepresented in more sophisticated electronic technology.

With the day of the fully electronic office rapidly approaching, the quickest, most efficient way to gain the necessary experience and expertise in these new fields was to join forces with a company already firmly established in them.

That company is CIT-Alcatel.

THE WORLD-WIDE CONNECTION

CIT-Alcatel is a huge, successful company, specialists in communications and electronics on a world-wide scale. In the development of digital-switching technology they are world leaders.

Their subsidiary SMH-Adrex, is one of the most important French office equipment companies.

As Roneo Alcatel, Roneo becomes part of a world-wide group that is pledged to a far reaching scheme of

development in the field of office automation. Association with CIT-Alcatel and their U.S. subsidiary Friden, greatly strengthens Roneo's position in the mailroom and reprographics fields internationally.

FROM STRENGTH TO STRENGTH

So that's Roneo Alcatel—a British based, major European enterprise with a world-wide capability.

And a combination of two great companies. Roneo with the continuing strength of its renowned, international production, sales and distribution network. And CIT-Alcatel with all their technical flair and savoir faire in office automation.

Together they represent a powerful new force with the expertise to foresee, and meet the differing demands of each individual company—so you are in complete command of your office communications.

That's the strength of the situation.

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UK NEWS

Channel ferry facilities to double

By William Hall, Shipping Correspondent

PORTSMOUTH IS planning to spend £11m doubling the size of its cross-Channel ferry facilities. The expansion is expected to divert considerable traffic from Southampton.

The port, owned by the City of Portsmouth District Council, opened a roll-on/roll-off (ro-ro) ferry berth in 1976 and added a second berth a couple of years later. It now plans to add another two ferry berths by 1983.

At present, three ferry operators, Sealink, Townsend Thoresen and Brittany Ferries operate from Portsmouth. Sealink operates to the Channel Islands and the other two to the Continent.

Since Portsmouth entered the ferry business, traffic has grown rapidly. Last year it handled 800,000 passengers, 21,112 freight units and 136,737 vehicle units (mostly accompanied cars). In the current year, passenger traffic is expected to expand by 50 per cent to 1.1m.

Last year, six ships a day were entering the port. The number has now risen to nine a day, and is beginning to put pressure on the two links.

Portsmouth hopes to operate an extra temporary linkspan by 1982. Portsmouth's big advantage over Southampton is that it is roughly an hour closer to the Continent and has a motorway, the M275, which runs right to the port.

Aside from the savings in time and ferry fuel costs, Portsmouth has another attraction in that it is a non-registered port for dockwork purposes. All the stevedoring is done by private companies, and the port only employs a staff of 56. Last year, it made a profit of £400,000.

Townsend Thoresen and Brittany Ferries are understood to have guaranteed their future use of the new berths which will help Portsmouth to raise the necessary finance.

The two operators are being given priority rather than exclusive use of the new berths. Another French ferry operator is believed to be interested in starting a service into Portsmouth.

Across the channel in France, the port of Caen is planning to spend £3.7m to enter the cross channel ferry trades.

The number of passengers passing through Dover during June rose by 13 per cent to 1.1m. Accompanied vehicle traffic was up by 4.7 per cent to 137,000.

However, road haulage traffic was 3.6 per cent down at 42,782 units and other ro-ro freight was 26 per cent down at 7,403 units.

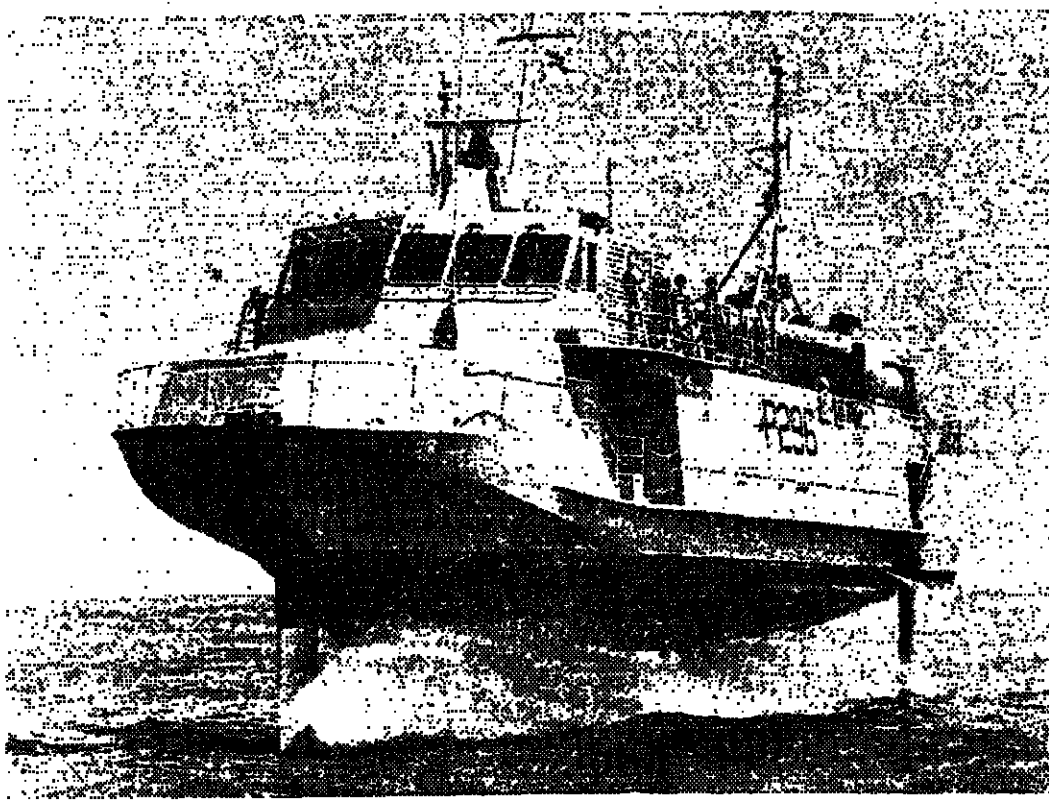
Old newspapers for £8,195

By Antony Thornicroft

W. H. SMITH sold bundles of old newspapers at Sotheby's yesterday for a total of £8,195.

The heads of several proceedings in this present Parliament, the first English newspaper concerned with home news, about the 1841 Parliament, sold for £230 to Heron, a dealer, who paid the same sum for "The Diurnal", published a little later in 1841.

Top price in the printed book sale was £2,200 for 67 plates of boxers of 1825.



HMS Speedy, the Royal Navy's first hydrofoil, undergoing trials and crew training at Portsmouth. The vessel was built by Boeing Marine Systems of Seattle and was fitted out for the Navy by Vosper Thornycroft. Her complement will be four officers and 13 men.

Stockbroker withdraws appeal in High Court

BY CHRISTINE MOIR

MR. TOM SCRASE, senior partner of stockbrokers Gittins and Co., is to be suspended from trading on the stock market for one month unless he successfully appeals for clemency to the Stock Exchange Council.

The suspension was recommended by the Stock Exchange's Disciplinary Appeals Committee last July but was held over while Mr. Scrase prepared to take the Council to court in an attempt to overturn the decision.

Yesterday in the High Court, before Lord Justice Donaldson and Mr. Justice Mustill, Mr. Scrase withdrew his appeal. Instead he agreed to a form

of wording in which the Stock Exchange made it clear that the suspension related to his responsibility as senior partner of a member firm for actions not carried out by him or with his knowledge.

The disciplinary committee's investigation into Gittins last year formed part of a study of alleged irregular share dealings involving "put-throughs"—deals where buyer and seller are pre-arranged.

In some cases involving Harvard Securities, a firm of licensed dealers, stamp duty had not been paid on the transactions. In one instance Harvard laid the blame for that omission on its stockbrokers, Gittins.

The disciplinary committee, supported by the appeals committee, found the charges proved but yesterday agreed that its statement should make clear that the omission was made by an employee of Gittins and not by Mr. Scrase or with his knowledge.

The decision to suspend Mr. Scrase from trading because of his overall responsibility as senior and administrative partner will now be enforced unless Mr. Scrase successfully appeals. Under Stock Exchange procedures, for clemency.

Temporary ban on banking name

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A TEMPORARY ban stopping Interbank, an Antiquan banking company, operating under that name in the UK was imposed in the High Court yesterday.

An injunction until trial of a pending passing-off action against Interbank was granted to the American Interbank Card Association, which co-ordinates acceptance of credit cards, and its English associate, Joint Credit Card Company, which operates the Access card in the UK under licence from the Interbank Card Association.

Sir Robert Megarry, the Vice-Chancellor said Interbank was associated with Kendal and Dent, the "silver bank" compulsorily wound-up last year on a Department of Trade petition presented "in the public interest".

It was argued that if Interbank continued to use that name, the American Interbank Card Association and the Joint Credit Card Company would become associated with the ill-repute of Kendal and Dent, said the judge.

Interbank had been incorporated in Antigua in February last year. Shortly afterwards the petition to wind up Kendal & Dent was presented. Between then and the making of the

winding-up order, Interbank changed to its present name. Sir Robert said the judge who made the winding-up order had said that the picture of Kendal & Dent was one of dishonest trading and that the public had to be protected.

Interbank had one office in London. It had applied to have its name registered at the English companies' registry and asked the Bank of England to grant it a licence to accept deposits. No decisions had yet been made on those applications.

Interbank's business appeared to be banking, including operating silver and gold current accounts. Its cheques were in the name of Kendal & Dent Silver Bank. Three people who had been directors of Kendal & Dent, including a Mr. Perestrello, appeared to hold some kind of positions in Interbank. The judge said the word "Interbank" had for ten years been part of the logo which was a distinctive feature of American Interbank Card Association and the Joint Credit Card Company's credit cards, which were widely used and recognised.

There was evidence that the word had become distinctive of their business, services and goods.

Optimism on Scotch sales

THE DIFFICULTY the Scotch Whisky industry is experiencing in exporting to the U.S. was described yesterday as a "temporary setback".

Mr. Ian Combs, chairman of the Scotch Whisky Association's Information Committee, said he believed the industry would be back on the path of modest growth "before too long".

The industry had made efforts to develop other markets besides the U.S. Scotch whisky exports in the first half of 1980 were worth £348m, an increase of 3 per cent in volume and 12 per cent in value over the comparable period in 1979. Whisky exports to the U.S. started improving in June.

Cadbury confident of voting advantage

BY ARTHUR SANDLES

MR. PETER CADBURY is driving home his voting share advantage in the Westward Television boardroom row by seeking High Court aid in forcing an immediate extraordinary shareholders' meeting of the company rather than waiting for the anti-Cadbury board majority to choose its own time.

The meeting is being called as part of Mr. Cadbury's attempt to regain the chairmanship of Westward. He was removed from this office a little over two weeks ago in a boardroom coup.

Mr. Cadbury dismissed suggestions that the powers of attorney he holds for more than 50 per cent of the Westward votes were not watertight. He said that most of them had been signed in the presence of independent solicitors "who explained their effect so there could be no misunderstanding".

The move, according to Mr. Cadbury, gives him the use of the votes for six months for the purposes of restructuring the board and particularly for removing Lord Harris of Greenwich, a former Labour broadcasting minister, from his position as chairman of Westward.

Mr. Cadbury said: "I think I might go on holiday now. There is nothing left to do. We have won."

Critical

Earlier, he issued a statement which was severely critical of Lord Harris and made disparaging comments on the former minister's commercial wisdom. "It is predictable that Lord Harris and his associates should so demonstrate their lack of knowledge as to make such allegations (concerning the validity of the powers of attorney) and it is frightening to think that they should do so without even seeing the documents."

The anti-Cadbury group on the board, 11 of the 14 directors, are going ahead with plans to send a circular to shareholders outlining their criticisms of Mr. Cadbury. "It would be interesting to know what they hope to achieve by throwing muck," Mr. Cadbury said.

Their hope is that shareholders still free to choose will opt to have Lord Harris as chairman rather than Mr. Cadbury. Much of the criticism will centre on the relationship between Mr. Cadbury's private and corporate lives. If the present board loses its battle to keep Lord Harris, it is clear that most of the 11 anti-Cadbury directors will resign, probably before Mr. Cadbury has a chance to remove them.

The next Westward board meeting is on Friday. The timing of the extraordinary meeting and the despatch of the circular will be high on the agenda. Mr. Cadbury and Lord Lisburne, his former deputy chairman, will probably not attend. They believe the board will find a formula for keeping them out anyway.

Government to make statement on shipbuilding

BY OUR SHIPPING CORRESPONDENT

THE GOVERNMENT is expected to admit that the financial targets it set British Shipbuilders a year ago are no longer realistic. The state-owned shipbuilder announces its 1979-1980 results to-morrow and a Government statement on the industry is expected, probably on the same day.

British Shipbuilders will announce a loss for its last financial year marginally above the £100m limit set by the Government last July. However, in the current year the effective loss limit has been reduced to £35m and British Shipbuilders' senior management has told the Government this is no longer realistic.

Unless the cash limits are eased, British Shipbuilders will run out of money before the end of 1980. Since the Government published its financial targets for British Shipbuilders last year, the nationalised shipyards have had to weather a prolonged steel strike, a serious delay in promised public sector orders and a further appreciation of sterling, which has dented its competitiveness.

For these reasons British Shipbuilders feels that the cash limits for 1980-81 are unreasonably tough and the Government is expected to accept this view and announce some temporary relaxation.

However, the statement will not clarify the uncertainty currently surrounding the future of British Shipbuilders because the Government has still not decided on whether it will go ahead and denationalise the three specialist shipyards of Vickers, Yarrow and Vosper Thornycroft.

It had been thought the Government would announce that it would do nothing for the time being but there is still a strong body of opinion within the Government which believes it should honour its election pledge to denationalise the shipyard.

The uncertainty over the future of the profitable shipyard yards is making it very difficult for the chairman of British Shipbuilders, Mr. Robert Atkinson, to plan the corporation's future policies. It is hoped the Government will make a statement on the future role of the industry within the next fortnight before the current session of Parliament ends.

British Shipbuilders management and the trades unions are opposed to any move to have off the three profitable shipyard yards since this would leave a major hole in the industry and seriously damage the corporation's new found morale.

After evidence came to light in August, 1975, that Mr. Watts was defrauding the group, it was decided internally that Mr. Watts should resign on grounds of ill-health, said Mr. Coral.

Mr. Peter Taylor, QC, for Mr. Coral, asked if there had been any evidence in the company of money being "skimmed off" and unjustifiable expenses incurred following the departure of Mr. Watts.

There has been no skimming or any evidence of that since then, Mr. Coral replied. He agreed that Mr. Watts was "an evil-intentioned man who had robbed the company of a lot of money."

Mr. Coral was appearing before South Westminster licensing magistrates in London. The police and the Gaming Board have applied for cancellation of the licences for three of the group's London casinos: The Palm Beach, Curzon House and the International Sporting Club.

The police also object to the renewal of the licences because of the alleged earlier hearing that Mr. Watts, formerly deputy managing director of the leisure group (then known as the Curzon House Group), stole thousands

Estuary link to cost £77m

By Robin Reeves, Welsh Correspondent

A £77m scheme for a major new road crossing under the Conwy estuary, North Wales, was announced by Mr. Nicholas Edwards, Secretary of State for Wales, yesterday.

Mr. Edwards has come down in favour of a "submerged tube" tunnel—the first of its kind in Britain—which will run diagonally under the estuary, rather than a bridge crossing which would have been some £15m cheaper.

The new crossing is a key link in plans to make the A55 a dual carriageway from the English border to Anglesey and the main road artery for north-west Wales.

The decision ends many years of argument over the form and route of Conwy crossing. Work on the tunnel, which will be 1,000 metres long, should begin in 1984 and completed in four years.

Justifying the greater expense, Mr. Edwards said a bridge would have had an unacceptable impact on Conwy castle and the town's walls. Conwy was one of the best medieval fortifications in Europe. The survival of both the castle and the town walls in so complete a form made it a monument of rare and exceptional value. "A new bridge would have destroyed for ever an historic view and also have been intrusive to local inhabitants," he said.

An earlier proposal to build a further bridge (there are three already, including the railway crossing) provoked one of the longest public inquiries ever heard in Britain.

The Secretary of State also rejected the cheapest of three tunnel routes suggested by R. Travers Morgan and Partners, consultant engineers, in a feasibility study.

A tunnel running along the eastern bank of the estuary to cross at its narrowest seaward point, costing £67m, would still have caused more noise pollution and spoiled the scenic appearance of the lower estuary, Mr. Edwards said.

On the other hand, the environmental advantages of a third, option—routing the tunnel under Conwy town at a cost of £83m—did not justify the additional cost involved, he added.

Coral was 'impressed' by man accused of fraud

MR. NICHOLAS CORAL, chairman of the Coral Leisure Group, said yesterday that he had no grounds to doubt the honesty and integrity of Mr. Alan Watts, a former executive in the company, who is alleged to have stolen about £300,000 from the group.

Mr. Coral was appearing before South Westminster licensing magistrates in London.

The police and the Gaming Board have applied for cancellation of the licences for three of the group's London casinos: The Palm Beach, Curzon House and the International Sporting Club.

The police also object to the renewal of the licences because of the alleged earlier hearing that Mr. Watts, formerly deputy managing director of the leisure group (then known as the Curzon House Group), stole thousands

Drugs trade surplus jumps 30%

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE UK's trade surplus in pharmaceuticals soared by 30 per cent in the first half of this year, compared with the same period last year, to give a favourable balance of £260.9m.

These provisional figures, published yesterday by the Association of the British Pharmaceutical Industries, are the first six months last year. But imports increased by only 1.8 per cent, from £108m to £109.9m.

The total UK pharmaceutical trade surplus of £260.9m for the first half of this year compares with a figure of £201.3m for the same period last year.

The ABPI said forecasts that the 1980 pharmaceutical export surplus would top £500m "seems to be well on target".

It added that the strong first-half performance of the UK drug industry was "a testimony to the price and quality of British medicines" and a "clear demonstration" that a successfully managed UK industry could compete in highly competitive international markets.

The improvement in export figures was "particularly encouraging in view of the continued strength of the pound."

Michael Donne looks at shrinking U.S.-UK air fares

Atlantic air war shots may rebound

CUTS IN UK-U.S. air fares may be good for the "forgotten man at the bottom of the pack", but whether in the long run they will be of any value to the airlines involved remains to be seen.

The battle has erupted over the past few days, with British Airways and Trans World, announcing cuts in their cheapest—the popular Advanced Purchase Excursion (Apex) and stand-by rates—for the coming winter, from September 15 for BA and October 15 for TWA.

TWA, the biggest airline on the route, with over 1m passengers a year, probably started the battle unwittingly by planning some time ago to cut its cheapest rates this winter, to boost traffic at a time of year which is usually bad and seemed likely to be even worse this year because of the recession on both sides of the Atlantic.

British Airways heard of these plans, and last weekend announced cuts of its own, only to discover yesterday that TWA's went just a little further.

BA had cut its stand-by rate between London and New York by £13, to £81 single. TWA had gone down to £82.50.

BA promptly reduced its rate again yesterday, to £82, whereupon TWA also cut off 50p and settled for £82. By late yesterday, the rates stood as in the accompanying table.

How long the fares will stay there is uncertain. Pan Ameri-

can Airways is to announce plans of its own this week. Sir Freddie Laker is holidaying abroad and is not due back until the end of this week. His current cheapest single rate to New York is £85 in the off-peak period, so he is now undercut by £3 by both BA and TWA. The betting in airline quarters is that both Laker and Pan Am will trim their rates to match the others.

These reductions, actual and possible, must be seen against the background of what is happening elsewhere on the route—and the picture there is much less inspiring.

But to cut fares when fuel and other costs are soaring, and substantial losses are already being made on the route, puzzles many people.

Just how big the losses are, no-one will say. The International Air Transport Association estimates that for all the 40 or more airlines flying between Western Europe and North America, they exceed \$300m (£208m) a year.

On the UK-U.S. route alone, there are now 13 airlines—BA, Pan Am, National, TWA, British Caledonian, Laker, Delta, Braniff, Northwest, World, El Al, Iran Air and Air-India—and maybe more to come when the U.S. decides on new airlines for the London-Miami route, with no shortage of applicants.

TWA claims to be breaking even on the route this year. BA won't say. But somebody must be losing money, because BA estimates that only 23m of the 20m seats offered this year between the U.S. and UK, are expected to be filled.

This means that the equivalent of 21 empty 450-seater planes are flying each way every day.

Why do so many airlines have what appears to be a death-wish over the North Atlantic? Because of soaring fuel costs (now averaging \$10.5 a U.S. gallon), all the big airlines—BA, Pan Am and TWA—are raising their first-class, club class and full economy fares by 13 per cent from this autumn.

This will hurt the business traveller who cannot book an Apex seat 21 days in advance or stand by in the hope of

getting an even cheaper seat. But all the airlines argue that the low-fare travellers are just as important to them. Four of every ten TWA passengers flies on a Super Apex ticket, and one in ten is a stand-by passenger. Half its traffic, therefore, flies at the cheapest rates, BA does not give figures away, but the proportions are probably the same.

Thus, businessmen could argue that they are paying once again for the cheap-fare traveller. The airlines counter this by saying that whereas they can cut fares when they like, their governments will not normally let them raise fares, and the U.S. Government has opposed a rise in the full economy rate for some time.

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But the situation is not all as bright as many airlines would like to think. Aer Lingus, admittedly operating from a small country, Ireland, with a comparatively small home market for air travel, is to cut its transatlantic flights by about 13 per cent, with the loss of 200 jobs.

On the Continent, too, there are suggestions that some other airlines are finding the route tough and expensive, and some of the smaller operators may be obliged to follow the Aer Lingus example this winter.

For those who can hold on, better times may be around the corner, as many of them hope. But as some airline executives privately admit, holding on is going to be a grim business over the next six to nine months.

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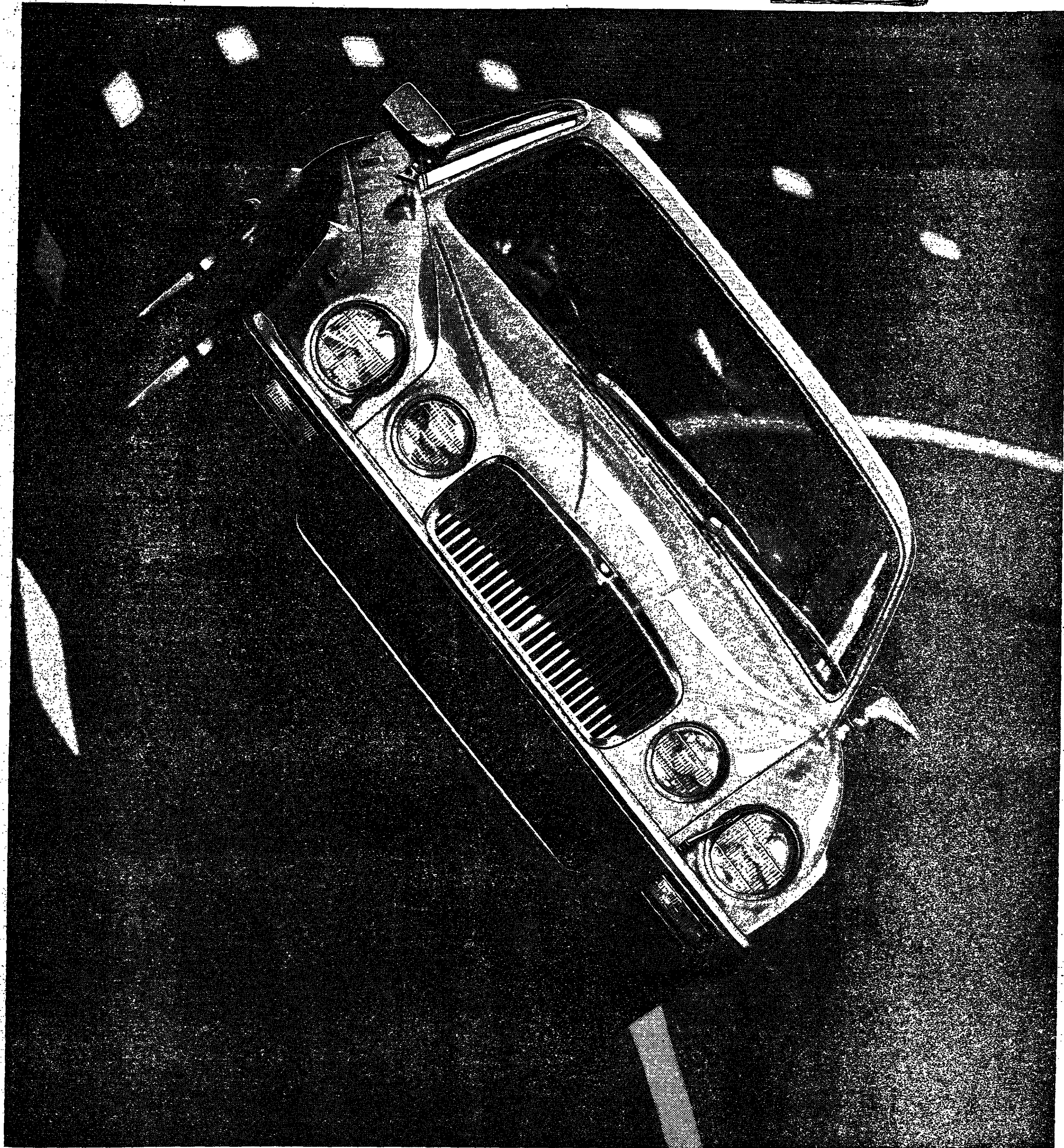
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*AUTOCAR Autotest 29.12.79. Photograph taken at Motor Industry Research Association proving ground. **MOTOR braking from 70 m.p.h. test week ending 15th December 1979. DOE FUEL CONSUMPTION FIGURES FOR JAGUAR XJ6 4.2 MANUAL: CONSTANT 56MPH: 28.5 (9.9L/100KM), CONSTANT 75MPH: 24.6 (11.1L/100KM), URBAN CYCLE: 13.3 (21.3L/100KM). AUTOMATIC WITH 3.07 AXLE RATIO: CONSTANT 56MPH: 28.2 (10.0L/100KM), CONSTANT 75MPH: 23.7 (11.9L/100KM), URBAN CYCLE: 14.5 (24.5L/100KM).

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UK NEWS — PARLIAMENT and POLITICS

Jenkin dashes Tory backbench hopes of increased child benefit

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

CONSERVATIVE Backbenchers with the reality of the world we live in.

Introducing the orders up-rating social security benefits he declared: "We have had to face hard decisions and had to find savings in National Insurance and Social Security benefits in order to contribute to the Government's overall economic objectives."

According to Mr. Jenkin, those who thought the Secretary's report of a surplus could lead to an increase in benefits entirely misunderstood the figures. There was the "sheer uncertainty" of such forecasts.

"It would be wildly irresponsible to regard this forecast surplus as a firm foundation for increasing expenditure," he argued.

"I have to make it abundantly clear that the forecast cannot in any way affect the decisions which the Government has had to take about restraining expenditure on the social security programme."

The social security programme, as a whole, was estimated to take around 27 per cent of total public expenditure. He felt it would be "utterly unrealistic" to imagine that the social security programme could be exempted at a time when the Government was seeking a substantial reduction in public expenditure.

Nevertheless, he promised that in future years the Government would do its best to retain the value of child benefits depending on the economic circumstances at the time.

He reminded MPs that the current up-rating of benefits and pensions would cost an extra £30n in a full year. The Government was doing as much as it could for those in need. The child benefit increase of 75p will cost an additional £430m in a full year bringing the expenditure on this item alone to £3.3bn.



ORME: "The 75p increase is really a down-rating"

The Secretary of State said that forecasters now accepted that there would be a significant deceleration in the rate of inflation.

He was now satisfied that the year-on-year increase in prices of 16.5 per cent by November 24 was the best estimate he could make.

From the Opposition front bench Mr. Stan Orme, Labour social security spokesman, said the 75p increase in child benefit was really a down-rating. To restore the true value of this benefit in line with inflation it would have to be increased to £5.20 per child.

Therefore the Government was really cutting the value by 45p, or 9 per cent.

He said the debate was taken place against a background of rising unemployment and high inflation. It was time for the Government to restore the cuts against the cash well-off.

Mr. Edwards said he could give the assurance that he had no knowledge of any such proposal. The chairman of BSC, when he last came to see him, had made absolutely clear that he had not taken decisions and wished to assess fully the situation confronting him in BSC.

Mr. Alan Williams, Labour spokesman on Welsh affairs, said that closure of either of these two great steel works would have an effect as long-lasting as Churchill's decision to send troops against the miners.

Edwards challenged on steel closures

MR. NICHOLAS EDWARDS, the Secretary of State for Wales, yesterday assured MPs that he was not aware of any proposals to close the Llanwern and Port Talbot steelworks in South Wales.

He was challenged in the Commons by Mr. Dafydd Wigley (Plaid Cymru, Caernarfon) about a report in Monday's Financial Times which, the MP said, suggested that the British Steel chairman might well be recommending the closure entirely of Port Talbot or Llanwern, or possibly both, because of the steel crisis.

Mr. Wigley called for an assurance that at the present time Mr. Edwards had no knowledge of any such proposal.

Mr. Edwards said he could give the assurance that he had no knowledge of any such proposal. The chairman of BSC, when he last came to see him, had made absolutely clear that he had not taken decisions and wished to assess fully the situation confronting him in BSC.

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Printers to meet Murray in Observer pay dispute

BY PAULINE CLARK, LABOUR STAFF

LEADERS of the National Graphical Association are to meet Mr. Len Murray, general secretary of the TUC, this morning in a fresh attempt to find a solution to the printers' pay dispute threatening the future of the Observer.

The TUC initiative in seeking talks with Mr. Joe Wade, general secretary of the NGA, follows the rejection of a peace formula put to 25 machine managers at the Observer over the weekend in spite of an acceptance recommendation by national NGA leaders.

It is the first formal intervention in the dispute by Mr. Murray, who was informed of last week's negotiations between Observer management and the NGA under the umbrella of the levels to 48 from '81.

Mr. George Jettom, NGA national officer, said yesterday the union was ready to take part in any talks which offered hope of a solution to the dispute.

Management has warned that the paper will close unless machine managers agree to co-operate on plans to produce a bigger paper. Atlantic Richfield, the American owner of the paper, is anxious to see the Observer go into profit after making a loss over the past four years.

Last week's peace formula focused on a management offer to take one hour off the 15-hour Saturday night to Sunday morning production shift.

The machine managers are seeking £108.63 and argue they have already halved their original cash claim as well as agreeing to reduce manning

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No sign of end to Reuters strike

BY OUR LABOUR STAFF

THE OFFICIAL strike by journalists at the London office of Reuters, the international news agency, entered its third day yesterday, with hopes for a solution planned on attempts to end a strike by their American colleagues.

The UK strike followed a management decision to send home journalists who had refused to handle copy from the Reuters New York office, where a strike has been called over a pay dispute.

In London, the 150 striking

Executives at Reuters in London have been maintaining the agency's services since last Friday when the journalists struck their industrial action.

Representatives of the Reuters chapel of the National Union of Journalists said yesterday that a new peace initiative was expected to be discussed in New York. But they were sceptical about whether an early solution to the dispute could be found.

In London, the 150 striking

Journalists continued to maintain a picket line outside the Reuters office in Fleet Street. Mr. David Nicholson, editor of the NUJ chapel, flew back on Sunday night from Moscow, where he had been covering the Moscow Olympics with a team of Reuters journalists.

Members of the National Society of Operative Printers, Graphical and Media Personnel, who had joined the journalists in disruptive action, returned to work over the weekend.

By Jo

Local health councils' future in doubt

By Ivor Owen

DESPITE THE initial caution shown by the Government in streamlining the administration of the National Health Service in Scotland, Labour MPs are still convinced that major cuts in the existing structure will not be long delayed.

This emerged in the Commons yesterday when they accused Mr. George Younger, the Scottish Secretary, of holding a "sword of Damocles" over local health councils.

In outlining the response to the consultative document on the organisation and management of the NHS in Scotland published last December, the Minister stated that there had been a very marked division of opinion on local health councils.

The views expressed on these bodies had ranged from strong support to outright opposition.

Mr. Younger stated: "I am not persuaded that they need to be a permanent feature of the NHS in Scotland, but they are statutory bodies and any change would require legislation."

"When there is a prospect of new Health Service legislation, I shall decide whether or not to propose abolition of these councils."

Mr. Younger said the reactions to the consultative document had confirmed his own view that no changes should be made in the number of health boards or the areas for which they were responsible.

But he proposed to ask those boards making use of services provided in Edinburgh and Glasgow to form joint consultative committees to secure the co-ordinated planning and operation of services.

Opinion had been divided on the need for non-statutory districts below area level.

Three of the 10 boards with districts at present Fife, Ayr and Arran and the Forth Valley — agreed that districts could be abolished, and he intended to encourage these boards to take the appropriate steps to achieve this end.

Mr. Younger stated that the other seven boards, for various reasons and with varying degrees of emphasis, had indicated that they would prefer to retain a district structure.

He intended to pursue the matter further with the seven boards.

The Scottish Secretary reported that the boards generally agreed that as much authority as possible should be delegated to the unit or sector level. All of them would be asked to make the necessary changes in their arrangements to ensure that this took place.

Mr. Younger stressed that the changes to be made in district organisation and management levels below area would have substantial implications for staff.

"Proposals to deal with these implications, covering arrangements for filling posts, for staff protection, for premature retirement, and for redundancy compensation are being discussed with the staff side, and I hope that a satisfactory agreement can be reached soon."

Mr. Younger brushed aside the Labour protests that he had placed "a sword of Damocles" over the heads of the local health councils.

The solution was in their own hands, he maintained

PLP working party rejects idea of direct elections to Cabinet

BY ELINOR GOODMAN, LOBBY STAFF

LABOUR MPs will this autumn be asked to approve a relatively modest package of proposals for increasing their influence over the party leadership.

Included in this package, published yesterday, is a change in the method of appointing Junior Opposition spokesmen and a larger say for MPs on how the money provided to Labour in Opposition should be spent.

But the working party of MPs set up 18 months ago to examine the working of the Parliamentary Labour Party yesterday rejected the most controversial idea under review of direct elections to the next Labour Cabinet. Instead, it settled for less radical ways of making the Labour leader more accountable to MPs.

The committee was, however, divided in a minority report. Three backbench members of the Right-wing Manifesto group argued that 15 members of the Shadow Cabinet should be elected each year by the PLP. Both views will be discussed when MPs vote on the report after the recess.

The report is another strand in the argument in the party over the whole question of party democracy. And some of the changes may be resisted by the National Executive on the grounds that they would make it more difficult for the NEC to increase its influence. The committee concluded that some changes were necessary in the relationship between the PLP and the Parliamentary leadership.

In some cases, such as the proposal for approving Junior Shadow Cabinet appointments, the committee proposed innovations which would give MPs more influence — if not actually

a decisive say in the appointments and policies of a future Labour Government.

In others, it merely recommended formalising what is already normal practice.

The working party proposed that after Labour is next returned to power, Labour MPs should meet to consider the priorities for the Queen's Speech. A similar meeting would be held each July.

The committee did not suggest that the outcome of this meeting should be binding on a Labour Government. It only said that the Labour leadership should take note of its recommendations.

In the same way, the majority report rejected the idea that a Labour leader should be bound to appoint to his Cabinet those MPs who had come top of the PLP ballot. Instead, it recommended a formula for increasing the influence of MPs over appointments in the Cabinet.

Under this scheme, the number of Labour MPs elected to the Shadow Cabinet when Labour was in Opposition would be increased from 12 to 15. On taking office, a Labour Prime Minister would be expected — as he is now — to appoint as members of his Cabinet those MPs who had been elected to the Shadow team while in Opposition.

At present, the PLP elect 12 members of the Shadow Cabinet and the leader is free to "pick" who else he likes. But in another proposal aimed at increasing the influence of MPs, when in Opposition, the committee recommended that a 15 of junior and front bench Opposition spokesmen should be submitted to the PLP for its

approval.

Labour MPs would not, however, be able to veto individual appointments and would only have the option of rejecting the whole list or approving it in its entirety.

The committee also proposed that in future the money paid to Labour in Opposition should be controlled by trustees consisting of the chairman of the PLP, the Leader and two trustees elected by the Parliamentary party for the duration of the Parliament.

But the committee, whose members included four Shadow Ministers, rejected the most controversial proposal under discussion. The majority report took the view that direct elections to the Cabinet might lead to produce the balanced representation of views within the party which all Labour Prime Ministers had sought to achieve.

It also feared that such elections would create a regular popularity poll for Ministers which would mean that Ministers in the most controversial jobs would be more exposed to party pressures than those in less controversial jobs.

Elections could, they warned, damage collective responsibility as each Minister sought to establish his individual stance in the eyes of the PLP.

The minority report, however, rejected this view. There was no reason to believe, it said, that the PLP would be "less mature" or "more capricious" when the party was in office than when it was in Opposition.

It must be wrong, it argued, for a Government to continue with no opportunity for the PLP to vote directly on those who hold ministerial office.

Enterprise zones may be named

By Philip Rawstone

MRS. THATCHER may announce in the Commons today the establishment of some six "enterprise zones" in the country's older urban areas.

The Prime Minister, facing a Labour censure on the Government's unemployment record, is expected to present the initiative as a major opportunity for business expansion.

By reducing controls, red tape and bureaucracy in the areas, the Government hopes to stimulate small businesses in particular to move or to expand in present areas of industrial decline and dereliction.

Companies moving to the areas would be offered generous capital and rating allowances, simplified planning procedures, exemption from Industrial Training Board rules and levies, and development tax concessions.

The Government has been planning to establish three or four enterprise zones in England and one each in Scotland, Wales and Northern Ireland.

The sites that have been short-listed are at Attlebridge, Sheffield; a site in Tyne and Wear; Liverpool; Manchester and Salford Docks/Trafford Park; Bilton Wolverhampton; a London site possibly in the Dockland area; lower Swansea Valley; Clydeside; and an inner city site in Belfast.

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Clegg urges 12.2% deal for technicians

BY PHILIP BASSETT, LABOUR STAFF

THE GOVERNMENT'S standing commission on pay comparability, chaired by Professor Hugh Clegg, yesterday recommended pay increases for 20,000 university technicians worth 12.2 per cent on the group's pay bill.

The Government has not formally accepted the increases, although management and union negotiators agreed in advance to accept the Clegg Commission's findings. Commission and Department of Education officials are, however, firmly under the impression that the increases as recommended are to be implemented.

Although the increases are markedly lower than many recent pay settlements, the award comes on top of a series of increases for the group which could mean the difference in technicians' pay between this and last year could be considerably higher.

The Clegg Commission awarded interim increases of 13 per cent to the technicians in August last year. But because of the method used in the comparability survey, the commission felt a further inquiry was necessary. This was carried out by the Civil Service's Pay Research Unit.

The commission's interim award was to be paid in two stages, half from August 1 last year and the other half from April 1 this year.

The two sides of the technicians' negotiating committee agreed an 8 per cent increase in technicians' salaries from October last year. The second stage of the interim Clegg

award added 84 per cent to these pay rates in April this year, and the award announced yesterday will be on top of these rates.

The Government may be embarrassed that the technicians, though a numerically small group, have received four increases of 61, 8, 61 and about 12 per cent between August and April, although the two portions of 64 per cent formed the group's settlement for 1978-79.

Yesterday's award, if fully implemented, will take grade 5 technicians from £2,974 to £5,377, an increase of 12.1 per cent. Top-grade technicians will move from £2,061 to £2,945 with a rise of 12.2 per cent and those on the bottom grade from £2,339 to £2,747, an increase of 12.2 per cent.

The new rises, backdated to April, are calculated by the commission to cost about £9.6m.

The commission also recommends the payment of a lump sum, ranging from £140 for the highest grades to £46 for a trainee, to compensate technicians for a delay in making salary adjustments between August 1 last year and March 31 this year. The cost of these payments is estimated at about £1.4m.

The findings of the arbitration tribunal on the pay of 470,000 teachers in England and Wales are expected this week. The tribunal has been examining the dispute between teachers' employers and the unions over the £130m Clegg Commission error in last year's teachers' pay deal.

TUC protests at health and safety budget cuts

MEMBERS of the TUC social insurance and industrial welfare committee yesterday met Mr. James Prior, Employment Secretary, and Mr. Patrick Mayhew, Under-Secretary, to protest at the Government's proposed cuts in the budget of the Health and Safety Commission (HSE).

The delegation deplored the 6 per cent spending cut already imposed on the HSE, which would amount to a 10 per cent staff cut by 1982.

The Government had asked for the HSE's views on the implications of a further 8 per cent cut in staff. The delegation completely opposed further cuts, arguing that they would bring the size of the HSE back to pre-1974 levels.

This was in spite of the fact that the 1974 Health and Safety at Work Act had increased the workforce the HSE had responsibility for from 12m to 18m.

The TUC delegation also argued that the HSE's responsibilities were expanding because of public demand and international commitments, including EEC and International Labour Organisation requirements.

Mr. Freeson welcomes the Home Secretary's decision to review the use of these funds. He would urge that this review be undertaken as soon as possible in view of the effect this situation is having on race relations and I would ask that no such blanket raids be conducted in future.

He goes on to warn Mr. Whitelaw that legal immigrants will feel they have to carry their passports.

Mr. Freeson refers to his blanket raid at Bessways in his London constituency of Brent East. Thirty-seven people were arrested — a number far in excess of those about whom the police supposedly had information.

"The majority of whom were subsequently found to be innocent," Mr. Freeson says.

"Surely there could have been no justification for detaining people, (who were) there by accident, about whom the police could have had no information?" he asks Mr. Whitelaw.

"If someone is suspected of being an illegal immigrant, then action should be taken against that individual."

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Increase in death risk for jobless

By Gareth Griffiths

THE GOVERNMENT is to consider a report on a possible link between rising levels of unemployment and increases in illness and mortality rates, reported in some areas.

A Department of Health and Social Security study of 2,300 men who lost their jobs in the autumn of 1978 will be presented to Ministers shortly. The project was launched after non-governmental research suggested that the mortality rate increased by 2 per cent for every 1 per cent rise in unemployment.

Trade unions and local authorities in the North and Wales have been concentrating on the social costs of Government policy on employment.

The unemployed in the sample were chosen by computer from 88 job centres. The survey is the most carefully balanced to be carried out so far on the subject, although the National Council for Voluntary Organisations (NCVO) and a Liverpool group are to launch similar projects.

Unemployed people appear to be less resistant to depression and illness because of the trauma of losing their jobs and the consequent lower living standards. During the last recession the death rate in England and Wales rose from 11.9 per thousand in 1973 to 12.2 per thousand in 1978, according to the Office of Population Censuses and Surveys.

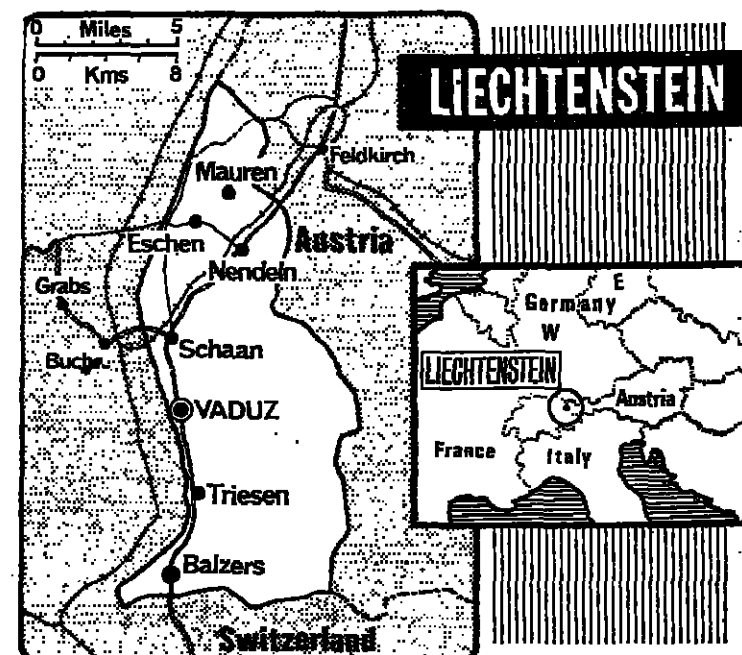
The NCVO, in

FINANCIAL TIMES SURVEY

Tuesday July 29 1980

Liechtenstein

Though strongly linked to Switzerland, this tiny, German-speaking Alpine state has strengthened its independence through industrialisation—while retaining its charm as an attraction for tourists. The financial companies which have set up in Liechtenstein have both increased its prosperity and helped give the country an increasing interest in international events.



Wealth of a modern state

By John Wicks

IN OPERETTAS, the inhabitants of tiny principalities are noted for dancing in the village square, spontaneous choruses, and good humour.

The contemporary Liechtensteiner is not necessarily rosy-cheeked or endowed with a tenor voice, but he or she would otherwise have good reason to join in the Act III festivities. The fountains are flowing with wine and there is no sign of a villain bass in the wings.

In fact, Liechtenstein is a sophisticated modern state rather than an Alpine Ruritania. Its toolmakers and company lawyers are far from being musical-comedy peasants, but the national anthem is close enough to the literal truth when it describes the country as "flourishing on the young Rhine, happy and loyal."

The days when Liechtenstein

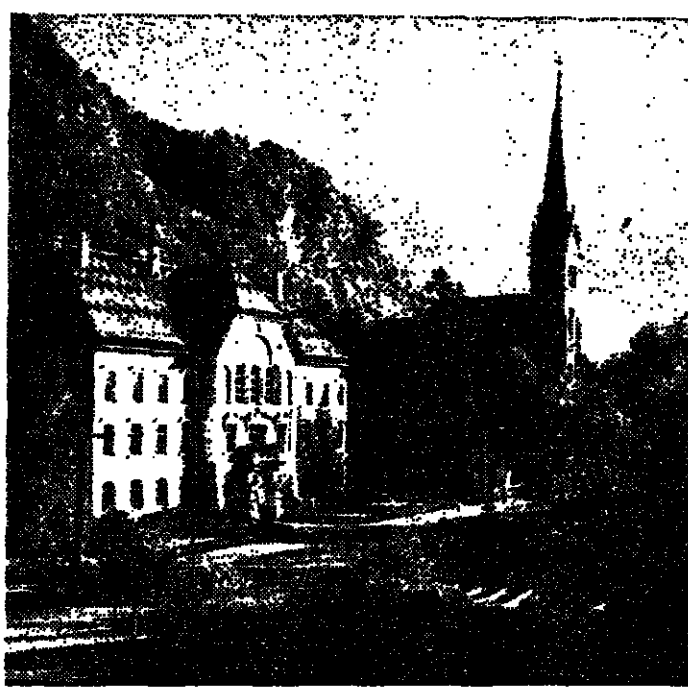
was one of the poorhouses of Europe are within living memory, and the 23,340 inhabitants are well aware of today's felicity. Per head, the little nation is one of the richest in the world.

Until recent years, Liechtenstein did not have much to recommend it. It occupies a mere 160 sq km, of which 60 per cent is mountainous, has virtually no raw materials and only limited agricultural capacity.

Early last century, a local writer described it as "possibly the poorest country in the world." In the 1920s, the principality was still living largely from pastoral farming and seasonal work abroad. Not until well after the Second World War did the good times begin.

Liechtenstein's history goes back to the turn of the 17th century when the Austrian house of the same name bought the Seignior of Schellenberg and the neighbouring County of Vaduz from a bankrupt Count. The purchase was hardly due to any intrinsic value of the little territories far off to the west—the family simply wanted a domain under imperial suzerainty so as to obtain a seat in the Princes' Diet. Shortly after, the territories were joined and given the name of the ruling family.

Sovereignty came with Napoleon's creation of the Rhenish Confederation and Liechtenstein's subsequent membership of the German Confederation; it is the only country in both alliances to have retained its independence.



Mountains surround the Government's palace at Vaduz, the capital

The close links with Austria, the princely family having been based in its Vienna palace until the reign of the present Prince, led to a customs and currency treaty with Austria-Hungary in the 1850s.

This connection with Austria resulted in a big blow for Liechtenstein with the outcome of the First World War. Although the country remained neutral, as in 1939-45, hostilities and the resultant collapse

of the currency led to a closure of all such industry as existed and a total loss of all savings.

After the abrogation of the treaty with Austria, negotiations began immediately with Switzerland on a similar agreement. The Swiss franc first became de facto and in 1924 de jure the national currency. The substantial degree of co-operation with Switzerland, which continues, has been an important feature in the

economic growth of the past few decades. Connections with the Swiss, which include an open frontier and the manning of Customs posts on the Austrian border by Swiss officials, do not mean that Liechtenstein has given up its sovereignty. The country is very much itself—a constitutional hereditary monarchy headed for the past 42 years by Prince Franz Josef II—and has a seat of its own in the Council of Europe, an Embassy in Bern, and a long string of individual presences in bilateral and multilateral agreements.

Although the Prince can—and on occasion has—exercised his right to veto legislation, the constitution foresees a joint system of monarchical and popular sovereignty.

The male electorate vote for the Diet ("Landtag") as Parliamentary representation, as well as holding Swiss-style plebiscites and referenda. As in Switzerland, the 11 communes have far-reaching sovereign powers.

Liechtenstein has a remarkable record of political stability. Two parties, the Patriotic Union and the Progressive Citizens' Party have run a coalition government since 1933. The difference between the two, according to a local bonmot, is that one is Catholic, conservative and monarchical, and the other monarchical, conservative and Catholic.

At the last general election, in 1978, the Patriotic Union became the majority party by winning eight of the 15 seats, and Hans Brunhart became

head of the Government.

The country's economy is based firmly on manufacturing industry. There are about 30 large industrial undertakings operating in Liechtenstein, a recent figure putting the number of actual factories at around 45 (the uncertainty arises from a change in nomenclature under the Factory Acts).

Many of these serve not only neighbouring markets but the world at large.

According to the Liechtenstein Chamber of Industry, in 1978 visible exports were worth over SwFr 780m (\$466.5m), of which 42.1 per cent went to EEC countries, 23.9 per cent to Switzerland (including re-exports), 7.8 per cent to other EFTA partners, and 26.2 per cent to the rest of the world.

Not only are Liechtenstein-based companies exporting increasing volumes directly (rather than via Switzerland), but a growing amount of their production is undertaken in subsidiary plants abroad. This is due largely to the shortage of manpower in a country where foreigners make up 34.6 per cent of the population.

Embarrassed

Better known than the important industrial sector is the service Liechtenstein offers as a tax haven and base for holding companies and trusts.

Laws passed in the crisis-ridden 1920s led to the formation over the years of tens of thousands of such companies, many of them on a temporary ad hoc basis.

Recently, the country has been repeatedly embarrassed by international scandals involving letterbox companies, the most sensational being the Crédit Suisse/Texon disclosures of 1977, in which over SwFr 2bn worth of clients' funds of the Zurich bank's Chiasso branch were improperly channelled through a Liechtenstein company.

Lawyers and politicians in the principality point out that such affairs arise from the misuse of Liechtenstein facilities by foreigners, but pressure from outside governments, most recently from Bern, had been building up.

The result is the current revision of national corporate law in order to control and supervise holding companies more closely and act more rapidly to crack down on illegal or undesirable activities. This has become easier to bring about because Liechtenstein is not to any noticeable extent dependent on the letter box business any more.

The revisions, which are explained in detail elsewhere in this survey, are not likely to lead to a major loss of custom for Liechtenstein's 23 lawyers and 60 legal agents and trustees. But they should clamp down on much of the business which has, rightly or wrongly, been giving the country a rather doubtful reputation.

Two further sources of income for Liechtenstein are tourism and the postage stamp business. The principality is a popular destination for day-

trippers and efforts are being made to expand the more lucrative lodging business. Liechtenstein is also becoming increasingly popular as a centre for winter sports.

Sales of Liechtenstein's attractive postage stamps totalled nearly SwFr 30m (\$18.5m) last year but these depend to some extent on the tourist trade. Liechtenstein has a highly professional subscription service for new issues, however, and is considered a "serious" stamp country by collectors.

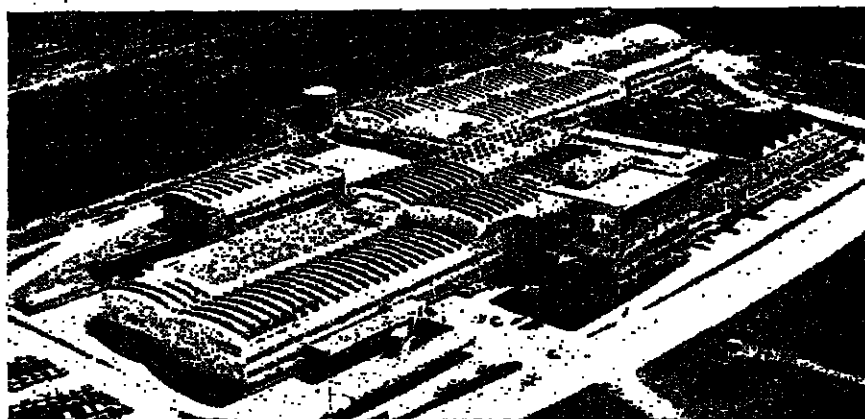
Overall, prospects for the principality are good. With high wages, low taxes, low inflation and no military service or unemployment, a little dancing in the Vaduz square would not seem out of place.

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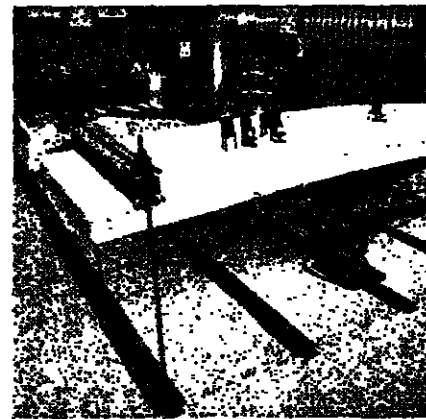
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9494 Schaan
Principality of Liechtenstein

LIECHTENSTEIN II

Law tightened to control foreign companies

"GOOD ADVICE is expensive," says the motto on the side of a little clock in Dr. Herbert Batliner's opulently furnished office. Handily placed to be easily seen by the seated visitor, it reflects the importance to the tiny Principality of Liechtenstein of the myriad trusts, holding companies and foundations that have sought a haven within its narrow borders.

Dr. Batliner is one of the Principality's leading lawyers and thus closely affected by the recent tightening up of the law on such companies, estimates of whose numbers range from 20,000 to more than 30,000. Although there had been earlier vagueries to do so, it was the 1980 scandal emanating from the Chasso branch of Credit Suisse, a major Swiss bank, which really set the ball rolling.

"That raised a lot of dust," says Dr. Batliner. Clearly, he implied, the Liechtensteins did not want to let the shadier operators kill the goose that lays the golden eggs and thus provides a substantial slice of its national revenues. "We don't want any more clients who think they can come here and transact doubtful or bad business."

With a vast beige-fitted Chinese carpet, a Persian rug, and a genuine Chagall painting on the wall—there are also a couple of Picassos outside—his office is certainly not that of the typical lawyer. To reach it, the visitor has to pass through a remotely-operated set of glass doors at the front of his building, and another before the suite of offices upstairs.

The casual stroller through

Vaduz, the capital, continually comes across evidence of the financial companies that have set up in Liechtenstein to avoid high taxes or other inconveniences. On one sign outside a small office building near a café the following names were displayed: Mandar Verwaltungs- und Treu-Institut (which translates as Mander Management—and Trust-Institute); Arabian and Middle East Trading Company; and Orhex International Establishment.

The latest revision in the law, which went through only a few weeks ago, seeks to tighten up the rules on auditing, the qualifications of directors, and the responsibility of those managing the companies to see that all is above board. "The legislators and we lawyers want more information from clients so that we can have an insight into the running of the business," says Dr. Batliner.

Tax inspectors

The law now draws a distinction between foreign-owned companies with a commercial purpose as its main target, and those designed mainly to manage investments or keep them in trusts away from predatory tax inspectors. The tax-avoidance category appears to account for most of the 20-30,000 companies, but it is the commercial category which has caused the most trouble.

The words Chasso and Texon, financial terms, have now become unhappy bywords in Liechtenstein for the abuses that can occur in slackly administered or supervised companies. Chasso is a small Swiss town near the

frontier with Italy and traditionally a haven or staging post for vast amounts of Italian lire seeking an escape from the taxmen and often brought over in suitcases in the boot of a car.

Though Texon set up in Liechtenstein, the Chasso branch funnelled as much as SwFr 2.2bn (£580m) of clients' funds, unknown to the Credit Suisse head office in Zürich which has since tightened up its internal controls and been feverishly sorting out the Texon debacle. Altogether the bank has had to write off more than SwFr 1.3bn (£340m).

But Chasso did not provide the only shock to Liechtenstein's tightly-knit financial community in the 1970s. Companies with addresses in Liechtenstein—often just that and a letter-box—have also figured in the affairs of Michele Sindona, the Italian financier whose huge empire collapsed a few years ago, and the former Shah of Iran, as well as the Lockheed bribes scandal.

With all this in the air, it was hardly surprising that other countries, including neighbouring Switzerland which provides a sheltering wing for Liechtenstein, were keen to see the principality put its affairs in order, and with Liechtenstein a member of the Council of Europe since late 1978 it has been under even greater pressure, moral or otherwise, to take effective action.

Even so, most Liechtensteins claim that the main impetus came from their own legislators—lawyers, and bankers. "The speed with which the government and parliament acted," says Dr. Batliner, "shows the depth of interest there was in introducing better order and controls." Moreover, one key advantage for those setting up Liechtenstein companies—

anonymity—has been strictly maintained. It was in the 1920s, when Liechtenstein was far less prosperous than the basis was laid for its development as a magnet for holding companies. The official currency in the early part of the century was that of Austria, so its collapse after the 1914-18 War wiped out the savings of the principality's citizens. These had been invested in Austrian kronen bonds and were worth over SwFr 40m (£10.5m) in today's purchasing power.

Their minds concentrated by poverty, Liechtensteins passed laws which allowed a free inflow of foreign capital and kept taxes low. They thus prepared the ground for the growth of both local and foreign-owned concerns. In 1923, the state passed a Taxation Act, following this up with the Personal and Company Law some three years later. Add to these the advantages of a stable political system, a strong currency (the Swiss franc), and a central geographical location and it is not hard to see how Liechtenstein achieved its present prosperity.

The latest amendments on holding companies and trusts were made to the second of these laws. All commercially-oriented companies must now present fully audited accounts within six months of the end of their financial year to the tax authorities. Previously, only one type of company—the AG or Aktiengesellschaft (share

company)—was obliged to do this, and then only if it had more than 20 shareholders.

The authorities hope that the obligation to appoint an auditor will discourage the less reputable companies and keep the reputable ones on the right path. Until 1983, when the first audited accounts will be due, there will clearly be a good deal of sifting and weeding and for the lawyers to do. All companies will have to be examined to see if they are commercial or investment management vehicles.

Declaration

For those set up to manage assets, there will be no requirement to submit a balance sheet. But they must give the public register a declaration signed by the board that a list of assets has been drawn up and that no commercial business has been carried out. For all types of company, though, the rules on qualifications of board members have been stiffened. The Liechtenstein director must be a qualified lawyer, legal officer, trustee, or accountant, or have a qualification recognised by the Government.

Often in the past companies were inadequately administered and audited, if at all, and the local directors had no real idea of what was going on. "The company was headless," says Wilfried Kaufmann, deputy director of Verwaltungs- und Privatbank, which is active in the trust and holding company sector. "The person pulling the strings from abroad, may have been doing illegal business and harming this country's reputation."

It is not unusual, says Dr. Karlheinz Ritter, another leading lawyer and president of the Landtag (parliament), for one large legal firm to look after several hundred companies. There are about 25 fully qualified lawyers in the Principality, along with a hundred or so trustees and legal agents. With the stricter auditing requirements, there will also be a need for more accounting skills, much of which will initially have to come from outside.

Will the legal changes cause any drop in revenue? Dr. Ritter says it is hard to be sure, though "it is possible that companies which are not quite clean will prefer to go away." Last year, the various trusts, AGs, foundations and those coming under the term of Anstalt which translates inadequately as "establishment" and tends to make foreign taxmen pick up their ears—paid direct taxes of SwFr 44.4m, two-and-a-half times the 1972 level, and accounted for much of the Sw Fr 7.5m raised from the 4 per cent coupon taxes on dividends (mainly from the AGs). They also paid out several million francs in stamp duty and formation fees.

With total 1979 tax income at Sw Fr 146m, foreign holding company revenues clearly have a great deal to do with Liechtenstein's high living standards. But who could resist an annual levy of a mere 0.01 per cent of assets along with a cast-iron guarantee of anonymity for those content to stay legal?

Andrew Fisher



Main street in Vaduz. Anonymity for those setting up Liechtenstein companies has been strictly maintained

Banks show remarkable growth in assets

IN LIECHTENSTEIN they have grown used to many outsiders' hackneyed view of their country as an idyllic comic opera principality and a tax paradise, with a foreign holding company lurking behind every other letter-box.

They are concerned, on the other hand, that the pendulum should not be thought to have swung too much the other way. For all their business and banking expertise and surging post-war economic growth, Liechtensteins do not see themselves as living in a financial centre on a par with Zürich, Frankfurt and London.

For one thing, there are only three banks—all of which have shown a remarkable growth in assets—and the country does not have its own currency. Nor is it large enough to provide the necessary infrastructure. Although its financial outlook has become highly international, Liechtenstein does not have a flourishing money and capital market.

Yet the Principality has built up a lively banking sector, and not simply on the back of the vast numbers of trusts and other financial companies from abroad that have set themselves up within its 62 square miles, squeezed in between Switzerland and Austria.

Liechtenstein, and its small capital of Vaduz, must be viewed in financial terms as an annexe of Switzerland. The currency is the Swiss franc. It has a postal and customs treaty with Swit-

zerland, and vast amounts of the foreign funds which flow into the Principality find their way into Swiss banks for reinvestment on world markets. "The Principality's banks, of which the oldest and largest is the State-owned Liechtensteinsche Landesbank, are all members of the Swiss Bankers' Association, though they have also had their own association since 1969. To put the matter in perspective, the total assets of the three Vaduz-based banks amount to only 1 per cent or so of those of all Swiss banks."

Influence

The second largest bank in Liechtenstein is where the Prince owns the bulk of the shares. But he does not exercise any direct influence on its policies, nor does his shareholding give the bank any fiscal privileges. The newest and smallest of the three is Verwaltungs- und Privatbank (Private Trust Bank), set up as recently as 1956 and granted a full banking concession just five years ago.

Between them, Liechtenstein's banks achieved a total asset figure of SwFr 3.64bn (£960m) last year and are likely to pass the SwFr 4bn mark this year, which will put them more than 100 times above the immediate post-war level of three and a half decades ago. Liechtensteinsche Landesbank will itself reach SwFr 2bn in August, says its director, Karlheinz Heeb.

"Our bank is very strongly anchored to the Liechtenstein economy," he explains. Formed in 1861, under the name of Zins- und Credit-Landesbank (National Interest and Credit Institute), it resembles a Swiss cantonal bank in its emphasis on savings and mortgage business. The bank would now like to stretch its wings more on the international scene and is hoping the law can be amended to permit this. But, adds Herr Heeb: "We are and want to stay very conservative."

The bank's net profits rose by 6.3 per cent to SwFr 4.73m in 1979, with total assets up by 9.4 per cent to SwFr 1.94m. A significant part of its earnings now comes from commissions on securities and foreign exchange business, which have grown four times over the past 10 years, faster than the rest of the business. It is the size of its gross commission income—up 19 per cent last year to SwFr 4.3m—which sets it apart from the Swiss cantonal banks.

To accommodate the rapid growth in its business, Liechtensteinsche Landesbank is building a new SwFr 15m administration block behind its principal branch on the main street of Vaduz. It is the only bank with branches outside the capital and also has nine cash-dispensers dotted around the Principality. So along with its growing international aspira-



Karlheinz Heeb: want to stay conservative

tions, notes Herr Heeb, it is still also a local village bank. As well as having one of the highest standards of living in the world, the people of Liechtenstein are also very thrifty. Thus the savings deposits at Liechtensteinsche Landesbank have soared more than 320 per cent since 1970—to nearly SwFr 640m. Its mortgage business has also risen, though not quite so dramatically, over the period—to more than SwFr 460m. At a mere 4 per

CONTINUED ON NEXT PAGE

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LIECHTENSTEIN'S BANKS—DAILY OPERATING WORLD-WIDE

Development of Liechtenstein's Banks (in 1000 sFr)

	1979	1976	1970
Assets	3636 148	2631 684	1478 867
Own resources	247 800	169 500	105 628
Savings and Deposit accounts	940 225	716 106	244 197

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(from February 1980)

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Industrial prosperity rising steadily

LIECHTENSTEIN is not just Alpine scenery, a Prince's palace, and a collection of letterboxes. The meadows along the Rhine are the home of one of Europe's most unexpected manufacturing centres.

By any standards, the tiny nation is one of the most highly industrialised countries in the world. Some 80 manufacturing companies belong to the Chamber of Industry, quite apart from a multiplicity of small producers.

Exports of visible from Liechtenstein last year amounted to SwFr 760.5m (\$486.5m), or the equivalent of \$18,410 for each man, woman and child. Even though this includes some re-exports from foreign subsidiary units, it is an astonishing sum—four times greater than that for the export-orientated neighbour Switzerland.

The country's industrial prosperity is not of very long stand-

ing. Only a few generations ago there was little for the Liechtensteiner to do except emigrate or perhaps go to France as a seasonal worker.

The country was poor, with little to keep it going apart from modest farming. Such industry as there was, mainly the sort of textile operations as in the neighbouring Switzerland and Austria, was badly hit by the First World War and the subsequent collapse of the Austrian currency. Not until the early 1920s did the principality enter the "Swiss-franc zone."

Real growth began after the Second World War. Taking industrial output as to be almost synonymous with exports in such a minuscule nation, sales to foreign markets more than doubled in the first half of the 1960s, then more than tripled again by 1975. It has risen at an average annual rate of nearly 10 per cent since.

There are now only a handful

of farmers—at the last count, only about 3 per cent of the working population compared with 34 per cent during the last world war. Industry is the big employer followed by tourism and other service trades.

Apart from the residents of Liechtenstein, thousands of employees cross the border each day from neighbouring areas of the Vorarlberg and eastern Switzerland. In companies belonging to the Chamber of Industry alone, almost 5,900 residents and non-residents were shown as employed at the end of 1979.

Enterprise

The growth of manufacturing activity in the past 30 years, supported by advantageous tax agreements—Liechtenstein taxation on operating companies is below the Swiss average—and boosted by the rapid increase in international demand, has been

to a large extent the direct result of local enterprise.

Companies like Hilti AG, today the centre of an international group looking forward to a 1980 turnover of SwFr 1bn (\$613m), the boiler specialist Hoval, or the food products company Hilti, all evolved from small local businesses in the principality.

Foreign concerns also realise that Liechtenstein offered more than simply holding-company virtues. The biggest investor has been the Zurich-based Oerlikon-Bührle group. Balzers is the headquarters of the concern's division of the same name specialising in high-vacuum and thin-film technology (divisional sales totalled SwFr 195.1m (\$120m) last year), while Oerlikon-Bührle is also the parent of the metal-working company Press- und Stanzwerk AG in Eschen, whose sales—including those of a French subsidiary—reached SwFr 80m.

Machine-building, precision engineering and metal-working account for the bulk of Liechtenstein's manufacturing sector, providing employment for almost three-quarters of the industrial labour force. Hilti and Hoval give work to more than 2,100.

Other major industries are the ceramics, chemical and pharmaceuticals product group and—still—the traditional textile sector, like Hoval, the Jenny Sperry spinning and weaving group has its roots in the 19th century.

Two of the more unlikely industrial ventures which have done remarkably well for themselves are the world's second biggest false-tooth factory (Ivoclar, of Schaan) and one of Europe's best-known sausage-skin manufacturers (Elastin-Werk, of Triesen).

The future for Liechtenstein industry looks quite bright. Business appears to be growing further this year after an 11.7

per cent increase in exports in 1979. The decline of the Swiss franc exchange rate from its peak in the autumn of 1978 has been a great help to manufacturers, even though some companies are still reporting pressure on prices. Profits looked up considerably last year.

Hindrance

Nevertheless, the limits for further expansion appear to have been nearly reached. The main hindrance is the shortage of manpower. Native Liechtensteiners are difficult to recruit—so few of them are unemployed or otherwise available—and the Government has had to introduce strict quotas on the entry of foreigners.

Already, 34.6 per cent of the resident population consists of aliens and the authorities have failed in their constant attempts to reduce these numbers. The foreign share of the industrial workforce is more like 50 per cent.

Swiss citizens have free entry to the Liechtenstein labour market but few are recruitable. The steady influx of Swiss in recent years has been a major reason for the politically undesirable "foreign infiltration" of the country.

The limits are being reached in other ways, too. Liechtenstein has a total area of only 160 sq km, of which a large part is mountainside. There are land reserves in the Rhine Valley, but prices are high and there are non-industrialised zoning plans.

New industrial projects are planned, among them a German-owned bicycle assembly plant and the large-scale expansion of the similarly German-controlled precision measurement instrument manufacturer, PAV. These new ventures could lead to a 10 per cent rise in the demand for labour.

Liechtenstein industry is increasingly building up its presence abroad. Seven companies have subsidiary works

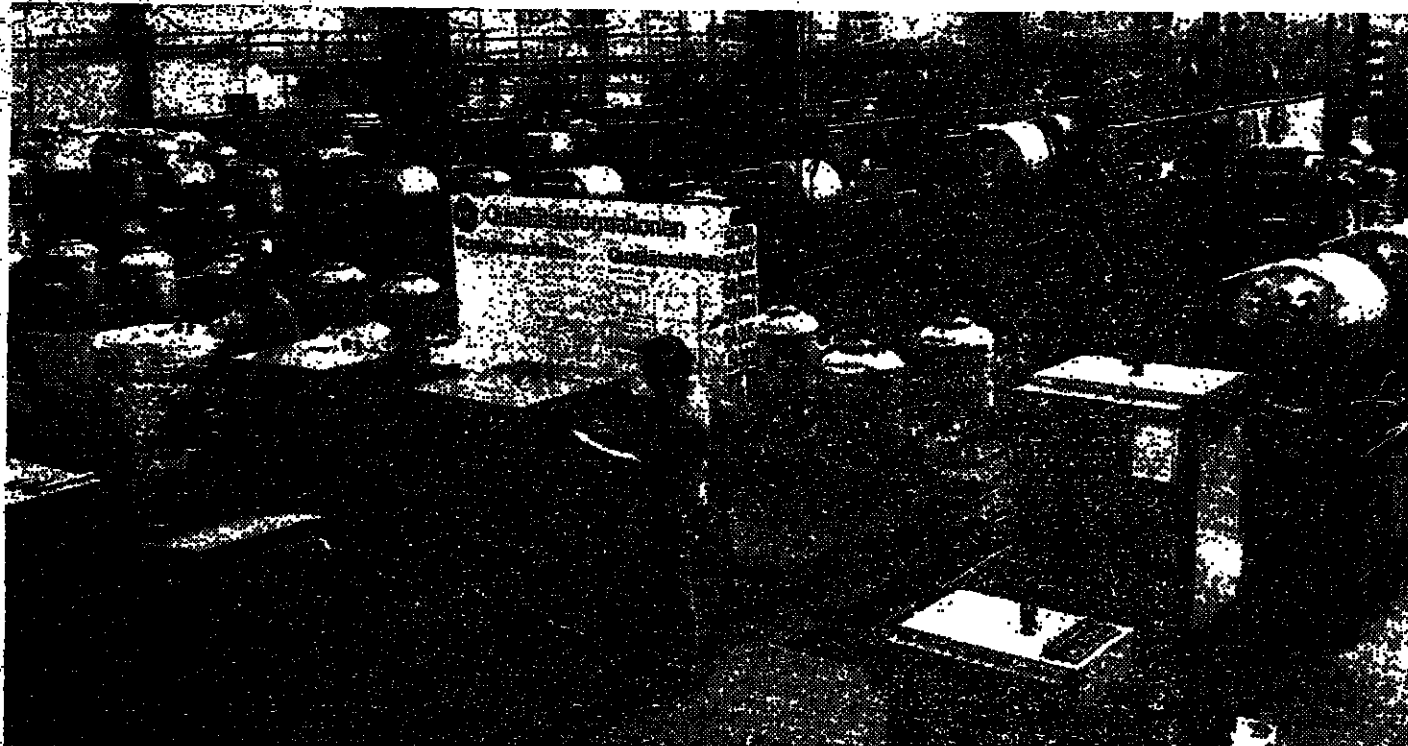
outside the country, and the past year has seen an acceleration in such investments, not only because of the labour shortage at home but also in order to strengthen the companies' position on foreign sales markets.

A particular case is that of Hilti, an internationally-active producer of fastening systems for construction purposes, which has almost five times as many employees abroad as in Liechtenstein and is engaged in a large investment in Oklahoma.

In spite of uncertainties facing the Swiss and Liechtenstein economies this year, the Chamber of Industry says manufacturers' expectations for 1980 are "mainly optimistic." In terms of employee-strength, 92 per cent of the country's industry views prospects as "good," and most of the remainder as "satisfactory."

Few countries can be feeling quite so sanguine.

John Wicks



The country's industrial output is almost synonymous with exports

Problem of foreign residents

THE PRINCIPALITY of Liechtenstein probably has the largest share of resident foreigners of any European country. At the last count, nearly 35 per cent of the population consisted of aliens—even excluding the large number who cross the frontier daily from Austria and Switzerland as employees of Liechtenstein companies.

There has never been an emotional reaction to the presence of so many foreigners comparable with that of the early 1970s in neighbouring Switzerland. This is due partly to the fact that many residents with a foreign passport have lived in the Principality all their lives and may even belong to second or third-generation resident families. It is extremely difficult to come by Liechtenstein nationality, applications having to be approved by village, Government and Parliament.

The lack of serious opposition is also explained by the cultural and linguistic similarity of much of the foreign population, the lion's share of which comes from Germanic areas of Switzerland, eastern Austria and south Germany. Nevertheless, the question

of resident foreigners is a political problem. In 1971, the Government undertook to keep the share down to one-third of the population, a target which has never since been attained. The flourishing economy of the Principality suffers from a chronic shortage of manpower, which the Chamber of Industry says has been a major factor in Liechtenstein companies' investments in foreign capacities, especially in the U.S.

There are now signs that labour requirement will rise further in the next few years to man new locally-based projects, however, and it is hardly likely that this could be achieved by recruiting Liechtenstein nationals alone.

In fact, the Government is very restrictive in its immigration policy—with one exception: while citizens of other countries today find it most difficult to obtain a work permit, the Swiss benefit from a special agreement with Liechtenstein granting mutual exemption from immigration and labour-permit restrictions.

The Swiss, as one local politician puts it, are the problem. Already, nearly one-half of the foreign popula-

tion consists of Swiss and more are being attracted all the time by the congenial working environment, low tax rates and the fact that residence abroad means dispensation from military service.

In May of this year, Herr Hans Brunhart, Head of Government, said in a newspaper interview that the extent to which the immigration agreement with Switzerland could be made "rather more elastic" should be examined, "so as to permit certain restrictive measures in the two countries' mutual interest."

This month, the Association of Liechtenstein Employees (LANV) used less diplomatic language in criticising the labour-market situation in the light of foreign recruiting and calling for a halt in the growth.

The association, which wants to see such moves as the advertising of situations vacant in the local Press before publication abroad, points to a remarkable fact. Taking foreign residents, border-crossers and seasonal workers into account, Liechtensteiners account for no more than 37.8 per cent of the country's workforce.

There is also a predominant foreign element in senior corporate staff. A survey carried out by St. Gall students recently showed that foreigners hold two-thirds of the executive posts (managers, deputy managers and chief clerks) in Liechtenstein's top 20 companies—more than one-third of all such positions are staffed by Swiss.

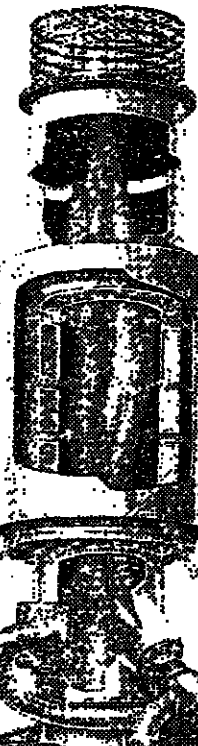
In fact, the administration is itself already in the process of taking inter-governmental steps. Earlier this year, Herr Brunhart had discussed the matter with M. Pierre Aubert, Swiss Foreign Minister, in Vaduz and it is now known that formal talks will be held between the two countries this November.

Switzerland may be expected to show understanding for the Liechtenstein position, having taken rigorous steps of its own in the past to cut down a relatively much smaller foreign population. Certainly, Switzerland is hardly suffering from a major influx of Liechtensteiners under the current agreement—only about 1,850 live in the confederation.

J.W.

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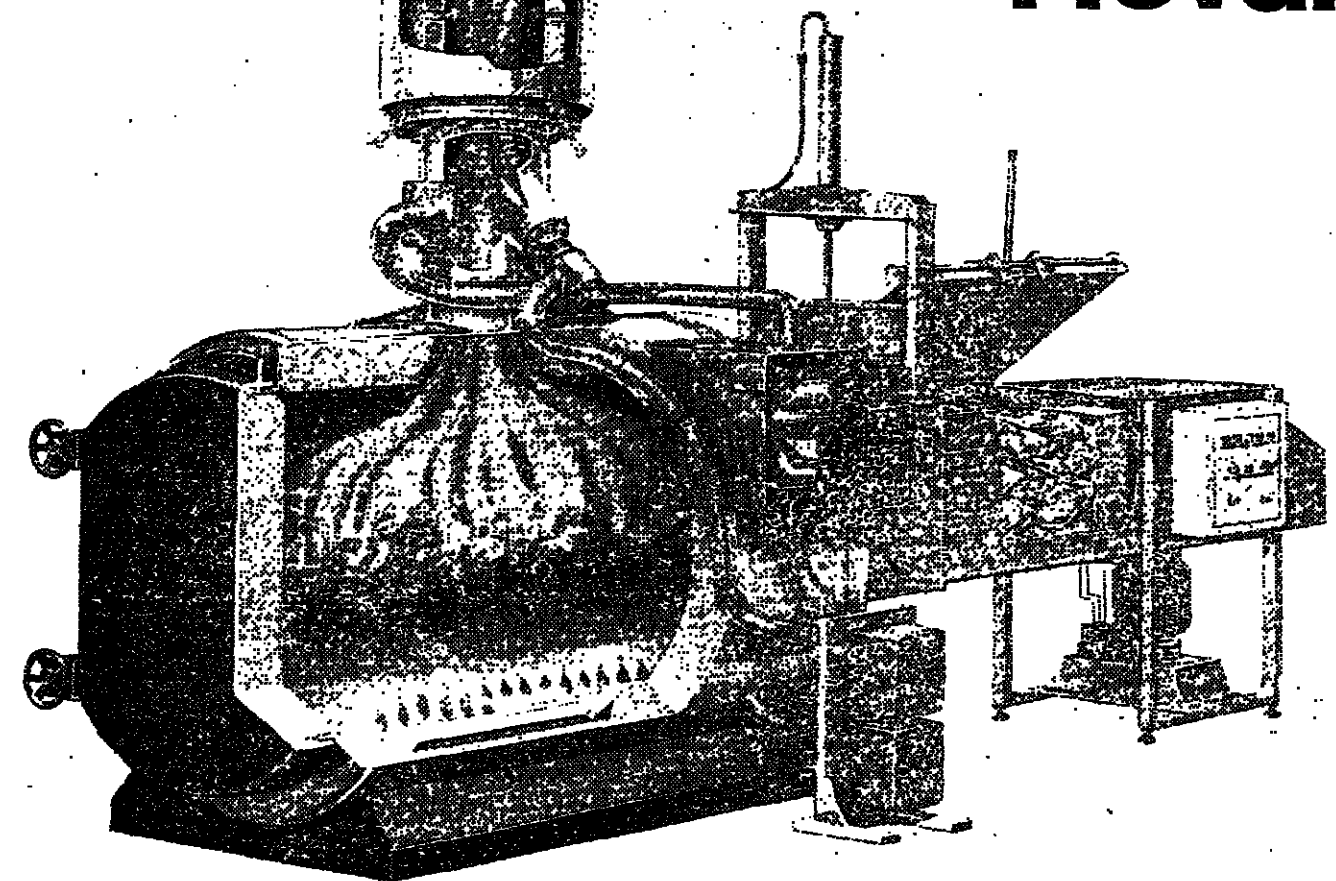


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Hoval



Banking

CONTINUED FROM PREVIOUS PAGE

cent or so, the country's mortgages are just about the world's cheapest.

When Liechtensteinische Landesbank was founded the country was still closely tied to Austria. But things were different in 1920 when Austrian companies and banks were desperate after their country's defeat in 1914-18 War to group themselves in holding concerns and have their affairs managed by a bank in a neutral country. Hence the origin of the Bank in Liechtenstein.

Surviving the onset of crisis-ridden 1930s proved traumatic, however, and it was then that the bank turned to the Royal Family. Many of the shares were then in German hands, but enough were acquired to

ward off speculators and ensure that the majority of the capital was held in Liechtenstein. Today, Bank in Liechtenstein is what Continental Europeans call a universal bank, carrying out all kinds of business from small savings right up to large-scale foreign exchange and loan transactions.

Last year its total assets rose by just over a tenth to SwFr 1.26bn; by the middle of 1980, the figure was hovering just below the SwFr 1.4bn level. Net profits were nearly 6 per cent higher at SwFr 8.6m, and commission business provided a good deal of the earnings thrust. With the aim of expanding its asset management and investment advice activities, as well as housing its flourishing

business in foreign stocks, it is also putting up a new building next to its present office.

"We have no natural resources," says Dr. Egmond Frommelt, the bank's director, of Liechtenstein's dependence on earnings from financial and other services. "We can only sell our financial know-how and our financial advantages, otherwise we couldn't exist." As well as its thriving stamp business, the country also capitalises on its political and economic stability, its low taxes, and its emphasis on strict secrecy in all financial dealings, unless foreign laws have been blatantly broken.

Know-how

Since 1960 Liechtenstein has had its own banking law. Its provisions are even stricter than those of its Swiss model, with stiff penalties for anyone who transgresses the rules on bank secrecy. The principality has no double tax agreements with any country except Austria, and is thus not obliged to hand over information to foreign authorities.

It does, however, lend assistance in criminal cases, as does Switzerland. But its attitude towards foreign tax authorities is clear. "It's not our fault," asserts one banker, "if other countries pitch their taxes so high that people want

to put their capital with us." Even for the native Liechtensteiner taxes are pretty low. "We are in a tax paradise," admits Bruno Sprenger, head of the tax office.

Unlike Switzerland, Liechtenstein has no withholding tax on deposits and securities. But the Principality is seeking to simplify its tax system by bringing in a general income tax rather than the present levy which favours those with large assets. There seems no great willingness to slap on a withholding tax at the same time, but Switzerland could possibly apply pressure here.

Clearly, life in a tax paradise is not without its drawbacks, as the various bank scandals of the 1970s—two of the largest involving Swiss banks and Liechtenstein address companies—have amply demonstrated. The Swiss, certainly, are not keen to let their small neighbour enjoy the benefits of its financial, currency, and customs protection without a corresponding effort in return.

Thus, they have moved to put the currency link on a formal footing—previously it was on a "gentleman's agreement" basis—with Liechtenstein keeping its financial sovereignty but binding itself to Swiss central bank and monetary regulations.

Andrew Fisher

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LIECHTENSTEIN IV

This page carries a profile of Prince Franz Josef, hereditary ruler of Liechtenstein and Europe's longest reigning monarch. Alongside are profiles of two of the industrialists who have contributed much to the country's prosperity.

Prince Franz Josef II

OF ALL contemporary heads of State, only the Emperor of Japan has reigned longer than His Serene Highness Prince Franz Josef II von und zu Liechtenstein. The Prince has ruled the tiny Alpine monarchy since 1938, the first of his House to make his permanent home in Vaduz Castle. He and his consort, Princess Gina, have been sincerely popular with their subjects since the dark days of the 1939-45 War when Liechtenstein was an un-defended, but undefeated, country, through to the present era of prosperity and internal peace.

The Prince was born in Frauenthal Castle in Austria in 1906 — Liechtenstein's 25,000 inhabitants are already planning his 75th birthday celebrations next summer — as the son of Prince Alois of Liechtenstein and Archduchess Elisabeth Amalie of Austria. The family had always been Austrian-based since well before one of Franz Josef's forebears bought the Rhenish domains, later named after the family, at the turn of the 18th century.

After studies in Vienna, he obtained a degree in forestry management before taking over the administration of the family's former extensive estates in Czechoslovakia in 1929. Early in 1938 his great-uncle Prince Franz I handed over the regency and he succeeded as ruler some months later.

Despite its close connections with neighbouring Switzerland, Liechtenstein has remained a fully sovereign State, says the Prince. He points out that such rights as have been ceded to the Swiss are covered by voluntary treaties which are terminable by either side at any time. This means that Liechtenstein has a degree of autonomy not enjoyed by every country.

The agreements with Switzerland, which began when Liechtenstein took over the Swiss franc "without asking" just after the 1914-18 War, are both necessary and advantageous, in his view. Apart from the Customs and currency treaties, the Prince draws attention to Swiss services in such fields as the postal sector or patents which such a small country as his would be simply unable to handle alone.

"Switzerland would never bring pressure to bear which could in any way prejudice our independence," he adds, praising the excellent relations between the two countries. He is careful to stress that the Swiss

do not represent Liechtenstein politically and that the Principality is beholden neither to Switzerland nor to any other country for its defence.

The Prince, who, when I spoke to him, had just returned from a brief trip to England — taking in the Trooping of the Colour at the invitation of the Queen and an outing to Glyndebourne — has close personal connections with the United Kingdom. Members of the Royal Family, particularly the Duke of Edinburgh, frequently pay private visits to Liechtenstein.

As far as the country itself is concerned, Franz Josef II has been closely involved in the rapid development of its economy. "When I became

Prince many Liechtensteins still had to emigrate — in part to Austria and Germany in the period immediately before the war, which was very unfortunate. It was always very much in favour of industrialisation here."

The Prince heads an important school of thought in his country which feels that a strong manufacturing base adds to the raison d'être of Liechtenstein and thus strengthens its sovereignty.

As well as personally involving himself with the promotion of industrialisation, the Prince also came out strongly in recent years in favour of the re-

vision of corporate law now being carried through. He is very much aware of, and has explored, some of the less desirable aspects of the letterbox business — though without wanting to scrap his country's important holding-company function as such.

He is, he told me, very much against the idea mooted in recent years of a commercial radio station working from Liechtenstein, though his objections do not apply if suggestions ever came to pass by which a religious, church-financed broadcasting unit were established there.

Prince Franz Josef is convinced that small and very small nations can make an important contribution to the modern world, particularly since their citizens are of necessity so actively engaged in political decisions. "Whether Liechtenstein joins the United Nations depends in the long run on whether the U.N. stands the test of time. At present, very few Liechtensteins would be interested in joining, even though there are today so many precedents for membership of a very small country."

J.W.

Art collector

Outside his duties as Head of State, the Prince is best known internationally as one of Europe's great art collectors. Some of his paintings, by Rubens and German masters, are on show in the National Gallery in Vaduz, while part of his arms collection is housed in the Liechtenstein Museum.

Should a new art gallery be built in Vaduz — a referendum is pending on the subject — Prince Franz Josef would present a goodly number of his pictures on virtually permanent loan.

The Prince is also a keen sportsman and served on the International Olympic Committee from 1936 until announcing his resignation some weeks ago. Still very active himself, he is a keen skier, goes for long walks every day and organises his own bear hunts and pheasant shoots on family estates near Vienna twice a year.

He also has the unusual interest of higher mathematics. It was his favourite subject at school and he still has a professor visiting the castle once a week with whom he studies.

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J.W.

will be a "parallel development" in Europe.

The group is beginning to examine prospects in the Far East.

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Prince Franz Josef: popular since the war

Gustav Ospelt

IF ARCHITECTS' tastes had not switched away from fancy ironwork in the 1930s, Gustav Ospelt might never have left the metalworking trade followed by his father and grandfather and emerged as one of Liechtenstein's top industrialists.

As president and chief shareholder of Hoval AG, the heating and energy recycling group, Herr Ospelt now holds sway over the Principality's third biggest domestically-owned company with a turnover last year of SwFr 177m (£48m). As a private concern, Hoval discloses no profit figures, but earnings are forecast to grow faster than the 20-25 per cent sales advance seen for the current year to March, 1981. Altogether, it has six factories in four countries.

Once Herr Ospelt realised in the pre-war days that the trade which he had learnt as an apprentice no longer brought in enough income, he decided on an arduous change of direction. He pinpointed the heating sector as the area to be in and embarked on a three-year course of evening classes. After a normal day's work, he would cycle the few miles over the border to Switzerland, catch the train for the two-hour journey to Zürich, sit through three hours of classes and return home, arriving back well after midnight.

He began to prosper in a modest way in his new occupation, running a business which eventually employed 25 people and adapting to the move from solid fuels to oil. He built a boiler which was oil-fired but could also be used for solid, gaining a reputation through the increased efficiency of this installation.

It was then that he felt the need to win customers in industry, although local banks proved reluctant to help with finance. Nonetheless, enough orders came in from Liechtenstein and surrounding areas to point up the need for more skilled salesmen. So he teamed

up with Gustav Herzog, whom he had met in Zürich, and formed a sales firm — in Switzerland.

"Sales then went straight up," said Herr Ospelt, jerking his hand sharply into the air. "I concentrated on manufacture and development and Herzog looked after the orders." When the Second World War began and raw materials were hard to obtain, he turned to making fuel generators for cars, managing to keep his best workers throughout this period.

With the war over, Herr Ospelt brought in a kitchen-range which combined cooking facilities with a boiler large enough to heat a small family house. "This was alright until women no longer wanted to cook and heat together," he said. Oil-fired heating later began to take over with cooking gradually going electric.

The French post-war occupying forces in the western part of Austria wanted to install Herr Ospelt's range in the houses they had built. Since they couldn't get the foreign exchange to pay for these, he

sovereign prerogatives to Switzerland, was impressed by the arguments advanced when the application to join the International Court of Justice was being processed in 1949.

It also noted that the country was a signatory in Helsinki to the Final Act of the Conference on Security and Co-operation in Europe.

In the meantime, Liechtenstein has become an established member of the Council, and it is likely that one of its representatives will be Vice-President of the Parliamentary Assembly next year.

Critical

In time Liechtenstein may become a member of the United Nations, irrespective of what Switzerland decides. Now is not the time, though, since Liechtenstein, like the Swiss, is critical of the UN and unlikely to approve entry if the necessary referendum was held.

An important consideration for such a tiny country is the manning of new posts abroad. The "militia Parliament" and the small Civil Service have to work hard to meet existing duties abroad, as in the case of parliamentarians in Strasbourg. Although Liechtenstein operates only one embassy — in Bern — the critical Council of Europe committee deemed it had the "capacity to sustain international relations."

Official support for development aid began in 1981 with payments primarily to help Liechtenstein missionaries in the Third World. The Liechtenstein Development Service, formed in 1983, forecasts future expenditure of some SwFr

500,000 a year, mainly through small donations of a bilateral nature and partly through the agency of missionaries.

Of the private aid organisations, as important in Liechtenstein as official programmes, a particularly significant part is played by the national Red Cross, headed by its founder Princess Gina. This channels substantial sums into the Red Cross movement. With SwFr 20 per head of population, the collection for Hungarian refugees in 1985 was the most successful in the world.

The country is increasingly aware of the outside world, not least in the light of the importance of its export-oriented industry and the fact that more than a third of its inhabitants are foreigners.

There has been tremendous pride in the performance of Liechtensteins at the Winter Olympic Games. It is a measure of the significance which the principality pays to its international role that Parliament decided at considerable cost to the Exchequer, to pulp an already-printed series of stamps for the Moscow Games as a protest against the invasion of Afghanistan. Liechtenstein's Olympic Committee is one of the few in Europe to boycott the Games.

More and more Liechtensteins are coming to agree with the basic premise advanced by Dr Badiner: "A state can retain its identity today only as a member of the community of states. Countries cannot keep themselves in artificial isolation."

J.W.



Gustav Ospelt: wary of bank debt

built a plant there. Hoval now has a major operation in Austria. Other countries where it is active include Britain, the United States, Switzerland, West Germany, Italy and Holland.

Today the Hoval group employs nearly 2,000 people, the general manager being Peter Frick, who married one of Herr Ospelt's five daughters. His son and two other sons-in-law are also in the business. The bulk of the business is in heating systems, with the rest in the energy recycling and energy from-waste (pyrolysis) products developed after the 1973 oil crisis. "We saw the boiler side going down," said Herr Ospelt. "We had to compensate."

The group hopes that up to a quarter of its turnover will come from these new recycling products in 1981-82. Last year the proportion was around a fifth. It is working with a Milwaukee company, Kelley, on developments in this sector for the American market, where it also plans to build up its boiler business.

Like many self-made businessmen, Herr Ospelt is wary of being too heavily indebted to the banks. At the moment, there is a rough 40-60 relationship between his own capital and debt. Apart from Herr Ospelt himself, majority shareholders are Herr Herzog, his longstanding partner, and Paribas, the French banking group, also have sizeable holdings.

The Paribas link stems from the early 1970s when Hoval exchanged some of its shares for those of a French boiler manufacturer called Francis, which the Liechtenstein company later got rid of for good to nothing when it was liquidated after the oil crisis. This was an awkward time for Hoval, admits Herr Ospelt, though the financial wounds have since healed. On the other side of the coin, Hoval does a good trade with the oil-producing countries, notably Iraq, with between 5 and 10 per cent of its business coming from the Middle East.

A.F.

Professor Martin Hilti

THERE CAN be no doubt about the identity of Liechtenstein's top businessman.

In a country which has no shortage of self-made men, Martin Hilti — Commercial Counsellor of the Principality, bearer of the Bavarian Order of Merit, Honorary Senator of Vienna University, and member of the prestigious advisory council of the Deutsche Bank — has definitely made the world league.

Professor Hilti, aged 63, heads the family company Hilti AG (which he and his late brother, Eugen, set up as a five-employee engineering workshop in their home village of Schaan in 1941. He was 26 at the time, with degrees in applied mathematics from Graz and mechanical engineering from Wismar.

The company started off modestly, making a variety of equipment from machines and tools to sparking plugs. In 1948, the brothers took up a 30-year-old British patent for so-called direct-assembly installation, and so entered the specialised field of fastening systems.

The post-war building boom and the heavy demand for construction equipment made the company's fortune. The Hiltis decided in the early days that they wanted the world as their

oyster, and began to establish a worldwide marketing organisation as an initial step.

In the 1960s and 1970s production also went international, with the building of a factory in the nearby Vorarlberg and the acquisition of companies in Germany, the U.S. and the UK. At the same time, the company grew within Liechtenstein.

Today, Hilti AG is the world's only thoroughly international specialist in hardware and consulting for fastening systems. With seven plants in Europe and two in the U.S., its total sales are expected to reach the SwFr 1bn (U.S.\$810m) this year. This makes it the biggest company in Liechtenstein and one of the larger family undertakings in central Europe.

Martin Hilti is not the sort of industrialist who professionally looks on the dark side. Not a redundancy or an hour of short-time working resulted from the mid 1970s recession. "If you can adjust to a situation, you can master it," he says. Executives on his staff who took up a less positive attitude were the only casualties of the lean years.

Capital was short when the company started nearly 40 years ago. But conditions were favourable, at least in the immediate post-war period, with low

interest rates, plenty of manpower available, and fast-growing sales markets.

The scene in Liechtenstein has changed since then. Interest and tax rates are still low, energy costs are at least below comparable German and Austrian levels, and there is still some reserve of land available. The big problem, Professor Hilti says, is manpower, particularly in the light of the already very high share of foreign workers in the country. Hilti is still expanding in the principality, but with a simultaneous move towards a higher degree of automation.

The future for the company is a multinational one. Martin Hilti reckons on growth in real terms of some 7 per cent annually on the company's world markets.

An increasing amount of the necessary production will come from foreign plants, where 6,600 of the company's 8,000 employees are now based.

A major new commitment has been the initial expenditure of \$21m on a centralised Hilti plant in Oklahoma, which will eventually serve the whole of North America. The U.S. will remain an investment stress-point in the next few years, Professor Hilti says, but there



Martin Hilti: modest start in engineering

will be a "parallel development" in Europe.

The group is beginning to examine prospects in the Far East.

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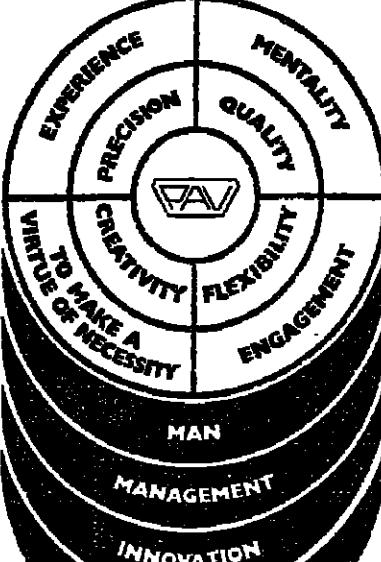
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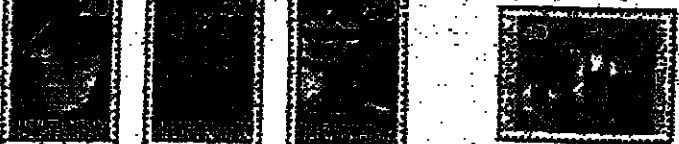
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Tourism based on day-trip excursions

MOST VISITORS to Liechtenstein see little more than a crowded street, a cafe terrace and the inside of a souvenir shop.

The capital village of Vaduz is a powerful magnet for trippers, with dozens of coaches and hundreds of cars arriving daily at the height of the season.

Visitors generally stay long enough for a snack—sometimes beside the bus—before strolling along the high street to post a card, buy a gift and perhaps stock up with cut-price cigarettes.

The major attraction is simply visiting a tiny principality. Liechtenstein is easily accessible by road from Switzerland, eastern Austria and the south of Germany. It is set in splendid Alpine scenery, and makes an ideal day-trip.

About 80 per cent of the country's tourism is based on the excursion trade, largely into Vaduz. Not that the capital is unworthy of a visit; apart from its attractive setting in the shadow of the Prince's castle, it boasts two excellent art galleries, two museums, a restaurant, a couple of memorabilia shops, and a good going for a

village of fewer than 5,000 inhabitants.

But there is much more to Liechtenstein than can be seen in the course of a day trip. Its territory of 63 square miles consists of 11 communes running from the right bank of the Rhine to the 8,000 ft peaks of the Rhaetian Alps. The high degree of industrialisation rarely disturbs the view because the numerous factories are "clean" and "relatively unobtrusive" in the lowland meadows.

Welcome

As welcome as the trippers are, the National Tourist Office is keen to develop the overnight trade, which is of much greater value to the economy. There are about 1,500 beds available to tourists as well as 83 private rooms, nearly 100 holiday apartments and camping sites.

Tourism in the principality, like that in neighbouring Switzerland, has been hit in recent years by the high exchange rate of the Swiss franc. The number of bednights in hotels and boarding houses last year totalled 180,178, or 18 per cent down on the 1972 record.

Like the Swiss, however, Liechtensteiners have recently seen an increase in overnight tourism. Stabilisation of the exchange rate and excellent skiing conditions resulted in 21 per cent more custom in the first quarter of 1980.

Winter sports are an important part of the country's tourism, the most famous devotees being Britain's Royal Family. Welcome publicity came with the success of local skiers in the Winter Olympics at Lake Placid. On a more regional basis, the main Liechtenstein ski resort of Malbun is also relatively cheap. Last winter, a day ski-lift pass cost SwFr 19 (£5) for adults, SwFr 10 for children, and a weekly pass SwFr 65 and 35, respectively. This attracts many Swiss day visitors, as well as the holidaymakers paying from SwFr 20 (single room without bath) to SwFr 100 (double, with bath or shower) a night.

The Triesenberg commune, to which Malbun and the cross-country skiing resort of Steg belong, is the most popular for

overnight tourists. The area is expanding its already considerable tourist facilities, the latest addition being a second chairlift installed in Malbun last winter. The same resort also offers four ski-lifts and an ice rink.

A further ski-lift operates from Steg, the site of the partially flooded Valüna-Lopp lake. The majority of summer visitors stay in lower-lying areas, not only in the centres of Vaduz and Schaan (where at least some of the guests are businessmen rather than holidaymakers), but also in such less urban communities, the hillside village of Triesen or the old settlement of Eschen in the Unterland region close to the Austrian frontier.

Triesenberg remains popular out of the winter sports season. Liechtenstein's tourism policy is aimed at increasing the overall number of bednights by improving occupancy, particularly in the off-season. The goal is to make existing hotels and restaurants, most of which are only small, more attractive rather than to build new ones. The

average length of stay in an hotel is little more than two nights.

Liechtenstein is able to offer facilities to congress tourism. Generally, the interest is in smaller meetings—usually up to 100 people—though one Swiss organisation held a meeting for 1,000 delegates.

Levies

The country spends—in relation to its size—a lot of time and money in promoting tourism. About 500,000 brochures are published annually in various languages, and all Swiss embassies and consulates are supplied with material. The National Tourist Office, which is partially financed by Government funds and partially by tourism levies and lodging taxes, works abroad in co-operation with its Swiss counterpart.

West Germany and Switzerland provide most visitors to Liechtenstein with the U.S. and UK providing the next biggest contingents. Recently there has been a sudden influx of visitors from Australia and New Zealand.

land, taking in the principality as part of a European tour.

The fact that Liechtenstein has no airport or heliport (a recent suggestion for the latter failed due to local opposition) and Vaduz is without a railway station does not appear to be a major obstacle. The country is close to motorway systems and only a bus ride away from the railheads of Sargans in Switzerland and Feldkirch in Austria. The road journey from Zurich airport takes 1½ to two hours.

The best form of transport for getting around Liechtenstein is the postal bus. A new offer is of a week's ticket giving unlimited travel in the principality for SwFr 20 (SwFr 10 for children).

The Austrian Federal Railway serves the northern part of the country, running between Buchs in Switzerland and Feldkirch via Schaan. An even better way to get around is on foot: there is an excellent network of footpaths leading from the river up to the highest mountain valleys.

J.W.



Above: The Castle of Vaduz, residence of Prince Franz Josef, and (below) ski lift at the winter sports centre of Malbun

Postage stamp issues bring vital revenue

EARLIER THIS year, as the debate about the Moscow Olympics was at its most intense after the Soviet invasion of Afghanistan, the Principality of Liechtenstein was faced with a difficult decision.

Having decided to boycott the summer games, it resolved to make a rather more telling gesture. With stamps one of its chief sources of revenue—at least SwFr 20m (£5.4m) a year—the country went ahead and destroyed the whole of its Olympic commemorative issue, more than a million stamps at a cost of over SwFr 3m.

The stamps were taken over the border to Switzerland for burning; the only ones left are the sets on display in the Vaduz Postal Museum and a few not yet returned by journalists or catalogue compilers. The Government was aware of the risks involved in trying to destroy the whole issue and is considering possible legal action to pull back the few advance copies. From now on, only slides will be sent out ahead of an issue.

Curiously, says Hermann Hassler, head of the Office for Postage Stamp Design, the stamps sent as far away as the Far East and North America have all come back. Those still hanging on, presumably in the hope of a nice fat profit, are all in neighbouring German-speaking countries.

It is here that most of the subscribers to Liechtenstein's regular but limited annual stamp issues are to be found. Other countries such as the U.S., Britain and the Netherlands also have keen collectors, but the chief interest, much to the delight of regular subscribers who are assured of their supply even if part of the issue has to be withdrawn, is in the quality of part of the issue showing the Imperial Insignia of Austria was not thought adequate and not all were issued. Thus the eight-stamp sheet with a nominal value of just over SwFr 10 is now worth at least 40 times as much.

Liechtenstein's most valuable stamp was issued in 1934 to mark its first national exhibition in the capital of Vaduz. An undistinguished brown colour, showing the national coat of arms, the large SwFr 5 stamp in its individual sheet with an ornate surround is now valued at more than SwFr 5,000, or SwFr 6,500 if franked on an envelope.

This was a case of stamp, large and costly for these days, rising sharply in value after initial lack of interest abroad which brought about its restricted circulation. But a spectacular example of how printing mistakes can boost a stamp's worth is provided by some produced in the late 1960s for official Government business. Because these were printed on white paper—the printers had run out of the yellow paper then used—they are now worth a great deal to collectors.

Two sheets of these stamps with a total nominal value of SwFr 23 are now worth SwFr 2,600 in mint condition and as much as SwFr 7,000 with postmark. The individual stamps are of 55 and 60 cents and respectively valued at SwFr 110 unfranked (SwFr 300 with postmark) and SwFr 20 (SwFr 50). These were not part of a normal stamp issue but can still be bought by collectors.

Despite the excitement of such surges in value, it is the bread-and-butter business which makes stamps so important. With stamp revenues contributing about 10 per cent of the budget, regular subscribers must clearly be nurtured. Customers with standing orders do not, for instance, have to pay postage; and they can specify whether they want their stamps mint or postmarked, in full sheets, on first-day covers with single stamps or full sets, or both franked and unfranked.

Ideas for stamp themes generally come from Herr

agreement with the Swiss.

Since then, Liechtenstein has issued hundreds of different stamps, concentrating increasingly on high artistic and printing qualities. "We think our stamps are among the highest quality in the world," enthuses Herr Meier, whose department looks after the marketing and sales side. Because of the small size of each edition—nearly 11m stamps were issued in 1973, the last year for which full details have been published—the country can afford costly printing processes with six or more colours.

He reckons that the photography or line engraving techniques of the leading Swiss and Austrian firms generally employed are two to three times as expensive as normal stamp printing methods. A look under the magnifying glass at the extraordinary detail in the stamps due for the autumn, depicting trees through the seasons, gives an idea of the skills and quality involved.

Risks

High standards do have their risks, however. A British printing firm was used for the first of the country's Europe stamps in 1960, showing a peacock design on a bright green background. Demand for this issue, which more or less started the growing interest in Liechtenstein stamps, was heavy but quite a few had to be held back because of inadequate quality. As a result, the issue has risen sharply in value.

Nor is this the only time such a leap has occurred, much to the delight of regular subscribers who are assured of their supply even if part of the issue has to be withdrawn. In 1975 the quality of part of the issue showing the Imperial Insignia of Austria was not thought adequate and not all were issued. Thus the eight-stamp sheet with a nominal value of just over SwFr 10 is now worth at least 40 times as much.

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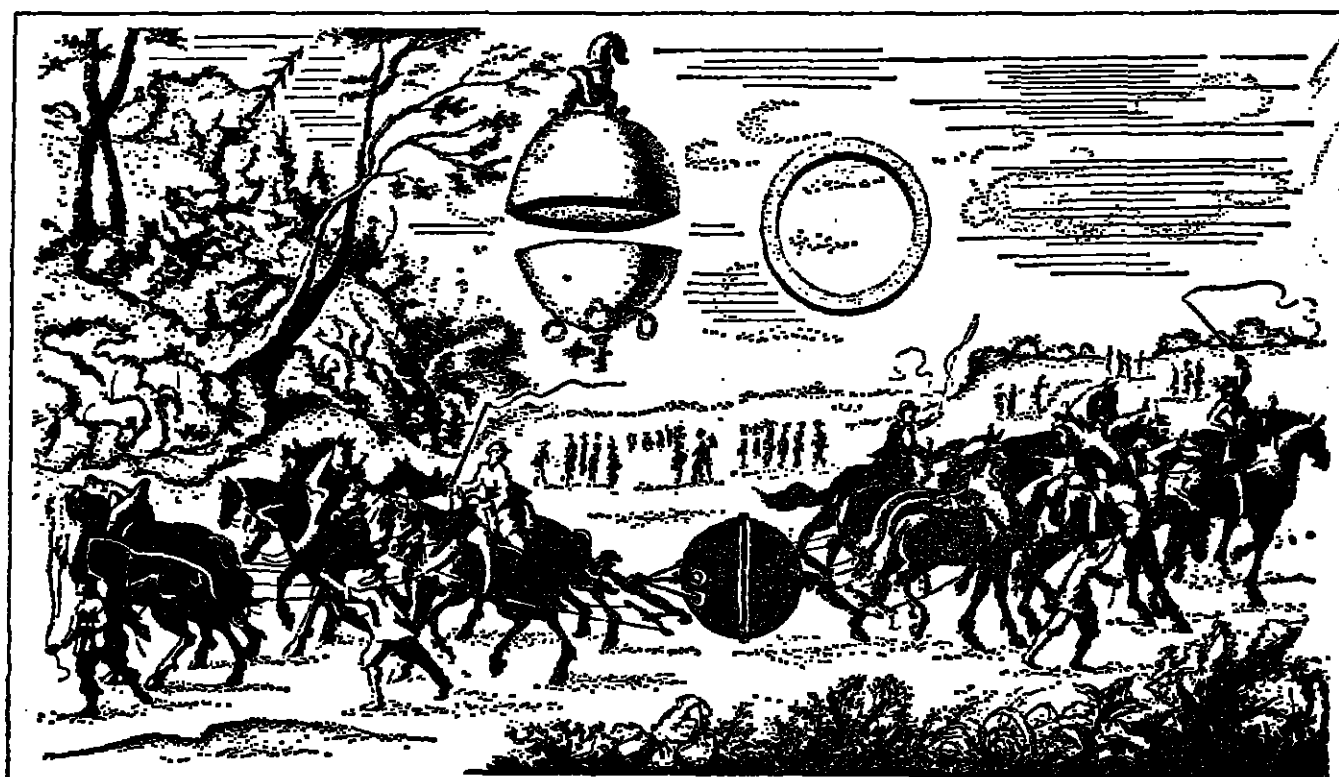
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Hassler himself, with international commemorative issues generally having a local tie-in, as with the abortive Olympic series. The earlier Lake Placid, set, for example, depicted ski areas in Liechtenstein. Most of the artists used are from the principality, although Swiss and Austrians are also used. At present he is planning for 1982.

Casual sales to tourists wandering through Vaduz also make up a useful part of Liechtenstein's stamp income. With this summer the rainiest of the century there, dozens of tourists can be seen scuttling into the modern sales office on the main street to buy a few stamps as souvenirs or to send home. Herr Meier estimates that well over SwFr 1.5m worth are sold directly in this way, with some 43,000 tourists, collectors and dealers making on-the-spot purchases each year.

A.F.

The issue of three Olympic stamps which were destroyed at a cost of SwFr 3m after Liechtenstein decided to boycott the Moscow games



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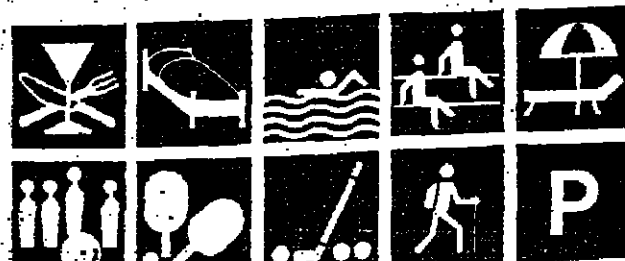
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THE ARTS

British Museum

The Benedictines in Britain

by ROY STRONG

The exhibition in the British Library on *The Benedictines in Britain* is more in the nature of an essay than a book. It is small, its choice, but suffers appallingly from being encamped in the neo-classical grandeur of the King's Library, a passage-way at the best of times but now a highway trodden by ravening hordes of tourists quite alien to the idyls of monastic quiet. It is a modest exhibition contained within a framework of two by two, vaguely suggesting ecclesiastical architecture and certainly symptomatic of the era of austerity heralded recently by the National Portrait Gallery to the Queen Mother, appropriately staged during the summer sales.

When one thinks of the monumental grandeur of, say, Durham, the Benedictines certainly deserved a far larger exhibition than this to celebrate their fifteen-hundredth anniversary. The tale here runs from the arrival of St. Augustine, sent by that major proselyte of the movement, Pope Gregory the Great, in England in 597, to Cardinal Hume. Broadly speaking, the British story is a three-phased one. At first, Benedictinism made little impact against the native Celtic monasticism and it was only in the seventh century, under the aegis of St. Wilfrid, that it began to flower, shortly, to be extinguished by the Vikings. The second phase sprang essentially from the revival epitomised in the founding of Cluny in 910 and by the close of that century Benedictinism had become the norm in Britain. The promulgation of the *Regularis Concordia* in about 970 at Winchester by Dunstan, Ethelwold and Oswald established the Benedictine rule as standard in monastic houses in this country. Finally came the post-Conquest phase when William I's Archbishop, Lanfranc, set about the feudalism of monasticism. By the 13th century, the vigour and thrust was to pass first to the Cistercians and later to the

friars. At the Reformation everything went under, the English Benedictines surviving piecemeal in exile, being properly reconstituted in the 17th century and returning here in the aftermath of the French Revolution.

Founded amidst the instability engendered by the final collapse of the Roman Empire in the West, Benedictine monasteries were designed as a retreat from the world, their energies focussed around liturgy and prayer directed toward the next. Building, books and other artefacts with an aesthetic connotation were purely utilitarian and it was only after the Clunian revival that the monks ceased to do manual work and greater emphasis was placed on splendid ceremonial, which betrothed works of art and also on books and learning. And it was this change that produced the exhibition's greatest treasures, the products of the Winchester School of book illumination.

The Benedictinism of St. Ethelwold, Bishop of Winchester, is one of the greatest masterpieces of Anglo-Saxon art. The manuscript is here open at a picture of St. Benedict which is also a monument to the Englishness of English art. Drawing on a wide range of sources from the late antique through to Carolingian art, the result is typically insular, iconic and insistent in its love of gold pattern and lavish use of gold and colour. One is here tapping a way of looking at things and flattening them out to abstraction which is as strong several centuries later in the art of the Elizabethan miniaturists as it was in that of William Morris. Close by is the New Minister Charter in the same style, in which King Edgar, flanked by the Virgin and St. Peter, extends his arms to heaven in which four angels support Christ, his hand raised in blessing, enclosed within a mandorla. In these two pages we can respond to all the excitement of a minor renaissance on the fringes of Europe.

The post-Conquest phase is summed up in the great illuminated bible from Lambeth Palace, one of the glories of English Romanesque art from the mid-twelfth century. Made probably for St. Augustine's Canterbury, with a sophistication reminiscent of the most refined works by mannerist artists of the sixteenth century, it is an essay in elongation and sinuosity. Here we see the Tree of Jesse, a vision Blakeian in power, in which the Virgin is the trunk of a tree whose tendrils encircle prophets and sibyls who gesture up towards Christ the Pantocrator. How infuriating as it always is that we cannot see more than one page for its balance of design and extreme economy of colour are combined with a rhythm that anticipates the Gothic.

There are other lesser delights after these heights. One is the Golden Book of St. Albans which surely must be the earliest English portrait gallery. Here the artist, Thomas of Walsingham, has depicted page after page of benefactors to the abbey. It is Chaucerian society with each donor clutching his gift: a Knight of the Garter waves his charter, a Lord Mayor of London rattles a money bag, a Bishop of Durham proffers a wassail mazer.

A miniature in a *Life of St. Edmund*, a book poem in the vernacular by John Lydgate, depicts the young and saintly Henry VI kneeling at the shrine. It is a forlorn piece of late medieval manuscript illumination but what strikes one most is the enormous gold tabernacle in which the saint's bones rest. No wonder barely a century later Henry VIII, in a mixture of reforming zeal and outright greed, decreed the dissolution of the religious houses. Their possessions in terms of land and chattels were immense. From the proceeds came Whitwell and Nonsuch and on to the confiscated lands were to arise the stately homes of England over whose dissolution we now ironically preside.

Fragmentary and unsatisfactory though this exhibition is, it does raise the whole problem of medieval exhibitions. There has in fact been no major display of English medieval art within memory. In many ways it would present insuperable problems. The mass destruction at the Reformation is one. The immovability of buildings another. Conservation of things

fragile a third. On the other hand, when it can be achieved as in the *Opus Anglicanum* exhibition at the Victoria and Albert Museum 20 years ago it was a revelation. Exhibitions of English medieval art have been on and off the tapis of the Arts Council and some of our national collections for years but nothing has materialised. It is a subject that asks of that rarified creature, the medievalist, a quite exceptional



Representation of St. Benedict with nine monks

GRIPS Theater, West Berlin

The Story of the Left

by RONALD HOLLOWAY

Critics who doubt that German theatre cannot get along without original plays from England and America — I confess to have recently belonged to that club — should drop in at a children's theatre in West Berlin, GRIPS (meaning brains or savvy), to see Volker Ludwig and Detlef Michel's *Eine linke Geschichte* (A Story of the Left), directed by Wolfgang Kolneder.

It's a short history in scenes and cabaret sketches of the German student movement from 1966 to the present in West Berlin, a play conceived for "people over 16" that packs them in nightly with a young audience that appears to average 30 and over. The play is so popular that tickets are at a premium, a sure sign that *A Story of the Left* will be around for a couple more seasons on the GRIPS repertory schedule.

The cabaret sketches are originals from those penned by Ludwig and Michel back in the active days of Das Reichskabarett in the '60s (and early '70s), at the very time when the cabaret in Berlin was ready to boil over. They were selected at first in view of a new cabaret programme dedicated to theologian Helmut Gollwitzer, who supported GRIPS through thick and thin and now was about to celebrate his 70th birthday. But in preparing the cabaret, the review of the past decade and more called for a dramatic context — so the original sketches reflected exactly how the students saw themselves (Das Reichskabarett, together with cabaretist Wolfgang Neuss's one-man shows, was the unofficial organ of the Student Left's position) at that time, while newly written scenes recorded the lives, passions, and destinies of three students who entered the Freie Universität in 1966, or thereabouts, up to their tired, middle-aged outlooks today.

More of a document than a play, *A Story of the Left* has the immediacy of a *Zeitstück* without being didactic or romantic — a kind of ode or elegy on the tragic and comic events of student days. The tragic side made the headlines a decade ago: the death of student Benno Ohnesorg during a demonstra-

tion against the Shah of Iran, the near fatal shooting of student leader Rudi Dutschke by a deranged youth, the Vietnam Discourse by journalist Ulrike Meinhof and several of the country's leading writers, and the related events in Paris during May 1968. Then came the reform movement at the German universities, followed by a splintering of the Marxist students into a score of warring ideological groups — until, finally, despair and depression spelled an end to the "demos," the teach-ins, and the rallies. At this point, at the beginning of the seventies, the cabaret skits are discarded for an overview of contemporary ecological, feminist, and alternative political movements.

The comic side is formed by the nostalgic portrait of how three young students reacted to all these events and tried, often in desperation, to maintain their Left ideals until eventually settling down and becoming ordinary middle-class citizens. The three — two guys and a gal — dream of the revolution, chat misty-eyed over Habermas and Adorno, war vehemently with their parents and officialdom, start communes and *Kinderladen* nurseries, go on trips with hash and the Maoists, join the Social Democrats or the Communist Party, and finally drift into the company of the Greens and the anti-atomic energy front and the Lilacs and the Women's Lib ranks and so on.

GRIPS has a knack for switching scenery in seconds via mobile props and a bit of fantasy on the part of the audience, while the actors nearly always address their lines to the front rows in an arena situation. Due to this kind of participatory intimacy, it's easy to laugh and weep over past events that seem, then, ever so relevant and prophetic of the future. Even the Schaubühne am Halleschen Ufer comes in for stabs of criticism in a scene set before Peter Stein's theatre in 1978, when the last vestige of a Left or Marxist commitment disappeared into aesthetic mumbo-jumbo.

It was GRIPS, and not the Schaubühne, who wiped the slate clean. For that alone, *Story of the Left* will be remembered as a dramatic milestone.

Arts news in brief

The poet John Heath-Stubbs is to be guest poet in the Royal Doulton-sponsored Matchlight series British Poetry Today at The Orangery, Holland Park on Thursday, August 14, at 7.15 pm. Also appearing on the programme is Roger Woddis, whose satirical poems appear weekly in *The Radio Times* and also in *The New Statesman* and *Punch*. The Woddis Collection was published in 1978 by Barrie and Jenkins.

Included will be sequences of modern poetry read by The Matchlight Readers, and some 18th century poetry introduced by John Heath-Stubbs and read by Hugh Dickinson.

An example of the collaboration between Peter Paul Rubens (1577-1640) and Jan Brueghel (1568-1625) has been put on long term loan to the National Gallery by the British Rail Superannuation Fund. *Landscape with Pan and Syrinx* was painted in oil on panel and measures 22 1/2 x 37 1/2 inches.

Two other works are on loan to the National Gallery by the British Rail fund. They are *The Miraculous Translation of the Holy House of Loreto* by Tiepolo, and *Still-life with a dish of oysters and a bottle by Chardin*.

The directors of the Manchester Palace Theatre Trust have announced that the task of securing the financing of the full £3m scheme to redevelop the Palace has now been achieved. A series of interest-free loans will be repaid from the continuing public appeal.

The directors are now able to proceed with the complete scheme, including the important £700,000 stage extension.

Of the £1.6m already raised towards the final cost of £3m, £400,000 has come from the Arts Council, £350,000 from the City of Manchester,

Wigmore Hall

Fitzwilliam Quartet

by PAUL DRIVER

Neither of the repertory pieces in the second of the Fitzwilliam's pair of "Wigmore Summer Nights" elicited much more than perfunctory interest from these distinguished but evidently capricious players. Haydn's Op. 33 No. 5 (G major) quartet — the one whose end is its beginning — passed as harmlessly as the weather; neither too much nor too little of anything and nothing in particular.

The C minor Quartet of Schubert did not especially resemble the programme's "structural miracle" because its passionate content had been trivialised away by merely graceful playing. (And not always so graceful either: the first violin tended to produce a careless, quietly grating tone.) Little could be perceived of that against which the formal symmetry has to struggle.

But though they belittled a fragment the Fitzwilliam players had done reasonable justice to an excerpt: the third movement of Delius's String

quartet (1916), known separately as *Late Swallows*. It makes a pleasant enough little tone-poem; not noticeably evocative of swallows, but with a humid sensuality that aptly expressed Sunday's concert conditions. One saw no obvious justification, however, for relegating yet another of Delius's works to the status of a "filler."

It was in the infrequently performed first quartet (1879) of Borodin that something of the group's quality began to show, confirming opinion that the Fitzwilliam play best when they have a case to argue. The work is an utter delight, and no less profound than it is charming. The intensity of its slow movement and rhythmic activity or its scherzo (prettissimo four-bar phrases that give the effect of a march) and *alla polacca* finale sometimes glanced ahead sixty years to the quartets of Michael Tippett. The scherzo has a trio of glistening harmonics, and the Fitzwilliam made of it a most adept simulation of a glass harmonica.

The Arts Council and ethnic arts

In a move towards a more positive policy for helping the arts of ethnic minorities, the Arts Council is to monitor all ethnic arts applications it receives over the next 12 months.

This exercise is designed to

provide a clearer indication of the range of ethnic arts applications in all art forms. It will also help to identify any special features which they may have in common, and will examine particular reasons for any individual rejections.

American television

Vive la France! by FRANK LIPSUS

Every year, the National Academy of Television Arts and Sciences in New York hosts the presentation of an evening of another country's television. In the past, numerous nations have been thus saluted.

This year was the turn of the French, and since French television was recently divided into discreet private entities, it was the largest successor to ORTF, Television Française 1, that was taken to represent the country.

Previous evenings of this sort

amounted to snippets of the different programmes the countries wanted to show off. But TF 1 produced a special show for the occasion and told about itself in a slick brochure with stills of its various programmes along with demographic charts and a breakdown of the television week. Despite the co-sponsorship of numerous French companies, the network had obviously gone to considerable expense to produce the show and prepare the booklet.

The purpose of the undertaking is not hard to decipher. Jean-Louis Guillaud, chairman and general manager of TF 1, who was at one time the director of ORTF, put the point elegantly in his introductory remarks, noting that France has long enjoyed American programmes. He hoped it was time for America to reciprocate and have more French shows on American television.

Richard Kilberg, an official of Channel 13, the public broadcasting station in New York, sympathises with M. Guillaud. He arranged for the evening's programme to be broadcast on Channel 13 on July 14, celebrating Bastille Day and the 100th anniversary of the French donation of the Statue of Liberty to the United States. Mr. Kilberg wants to arrange more collaboration with French television, but language remains a considerable obstacle.

If the hour-long variety show was made just to minimise the language barrier, it succeeded admirably. Charles Aznavour, a host with the charm if not the sartorial distinction of Maurice Chevalier, speaks what Americans, at least, consider a charming English, perfectly comprehensible with a whisp of accent. If he stumbled over words from time to time it was in the rush to be informative, mentioning even the student troubles of 1968 as he sat at the Deux Magots cafe on the Left Bank.

Most of the performers he introduced sang in French, a choice that was perfectly acceptable because one need not understand the words to enjoy a French torch song. Quite the contrary, as unfortunately shown by Dalida, a fine French singer, who chose to do the English version of *Show Me the*

Way to the Next Whisky Bar, a song every American knows from a version by the Doors. Dalida's French accent gave all the lines the wrong intonation. When Sylvie Vartan sang, however, with her short cropped hair and svelte voice, no one was bothered by what the words were, even when her retinue of half a dozen half-dressed men lifted her and carried her across the stage like Cleopatra. If the words said what they looked like they should, they could not be repeated on American television anyway.

Maritie and Gilbert Carpentier, an elegant couple who produced the show, got the top names in France for it, including Marcel Marceau and Catherine Deneuve, who like everybody but Marcel Marceau sang a song. Each segment of the programme was done in front or inside of a famous Parisian sight, with side comments on spending an evening at Marlin's and a view of Paris's own little Statue of Liberty in the Seine. It was an hour that captured what any American tourist would want to see of Paris. The places were familiar and the faces represented what Paris is to an American.

But the very emphasis on the familiar makes the prospect of close co-operation seem all the more remote. It assumes that Americans have to be re-introduced to what they know of France when the programmes mentioned in the brochure make a much more appealing introduction: they show the way the French look at themselves and their world. Among news programmes on TF 1 are a semi-monthly on news of the theatre, a monthly on economics and a bi-monthly science programme called *Keys for Tomorrow*. Providing 250 hours of live sports a year, including much of last win-

ter's Olympics from Lake Placid, lends considerable familiarity to TF 1 for an American, balancing the high-minded 500 hours of costume drama that would rarely set to an American television screen, to the Americans' loss. There is even a Friday evening classical drama series that gets good ratings, something an American can contemplate with envy.

The good will generated by the exposure of Americans to French television looks like it will have some if not a great deal of effect.

Richard Kilberg envisages co-operation in science and children's programming. The hour variety programmes may be the kind of television that is still popular in France but is now rarely seen in America. Part of the reason is expense, which would militate toward co-operation on making such shows, but the other is taste. The programme is what Americans would have seen a generation or two ago on television, and even then, there would have been a much greater mix of variety entertainment. Having everyone sing was a way to overcome language problems, but it can't help sounding repetitive. Americans have pretty much stopped watching that kind of programme, unless it is done by a perennial favourite like Bob Hope. Award programmes seemed to have replaced variety shows in prime time, and in general, the high-minded aspirations of fostering co-operation, which are limited to non-commercial public broadcasting, conflict with other educational values that the station has to promote. The commercial networks have done some co-productions abroad, especially for adaptations of classics, but for the time being, French television looks to remain a curiosity in America.

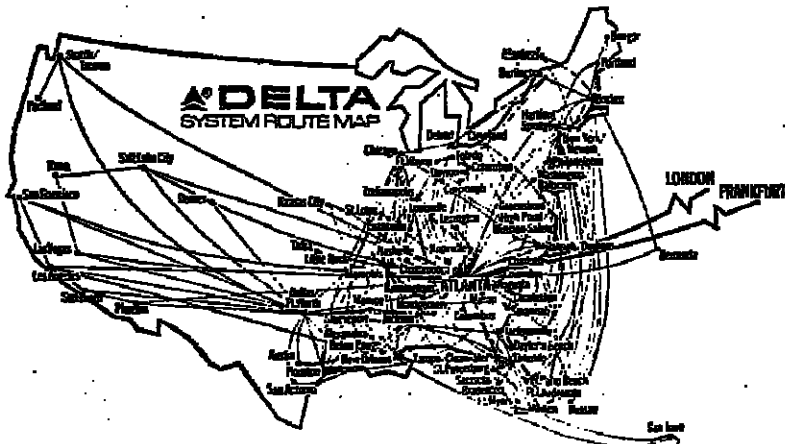


Charles Aznavour, one of the stars of *Numero Un* transmitted New York television on July 14. Aznavour speaks what Americans, at least, consider charming English

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Tuesday July 29 1980

Role of the Opposition

TODAY'S no-confidence debate in the House of Commons will doubtless generate much sound and fury. With a sharp economic contraction already unmistakably afflicting the country, the Opposition will have no difficulty in producing facts and figures, as well as rhetoric, with which to attack the Government. Since mass unemployment emerged once again in Britain as a major political issue, Ministers have inevitably been very much on the defensive in Parliament and today's debate may well prove a further embarrassment for the Government.

But below the Opposition's debating hyperbole will lie the nagging, painful knowledge that, despite the worsening economic climate, the Government still commands wider acceptance for its economic policies from the electorate than did most previous administrations. What must be most frustrating to many Labour politicians is that Britain's apparent willingness to take unpleasant medicine from the Government without protest, stems partly from the lack of any effective opposition, or even of coherent and constructive economic criticism, in Parliament.

No alternatives

Now there is a line of argument within the Labour Party which asserts that constructive opposition to the present Government is impossible because its economic policies are so radically at odds with all the Labour Party's fundamental assumptions: that an equally radical, and largely destructive response is called for.

In the Conservative Party, on the other hand, there is a widespread belief that the lack of any coherent opposition in Parliament and the acceptance of discomfort in the country at large, are due simply to the fact that there are no alternatives to the Government's policies.

Both these lines of thinking are misleading and dangerous. While it suits the more extreme elements in both parties to propagate the idea that they represent clashing and mutually exclusive ideologies, a close examination of the Government's central economic objectives does not bear this out. There is still a broad consensus on aims, which spans the major wings of all three parliamentary parties. And even on the means of attaining these ends, there is more continuity between the present Government and the last one than either of them finds it expedient to admit.

When it came to office, the

Government had four basic economic objectives: to reduce inflation and attack the causes of inflationary pressure; to create an environment in which industry would improve its productivity and international competitiveness; to shift the burden of taxes from income to spending; and to cut public spending. The first two of these aims are wholeheartedly shared by most of the Labour Party. Even the third, which is a good deal of support in the last Government, which also wished to reduce the burden of income tax.

It is only on the last issue—the part which the public sector should play in the economy—that a sharp ideological cleavage exists. But even here, the real differences are less than the common ground. As yet the Government has not attempted to undermine the basic structure of the mixed economy or the welfare state, although it has certainly chipped at the edges. The last Labour Government, it will be remembered, was also responsible for large public spending cuts at times of economic crisis.

When it comes to means rather than ends, there is a wider divergence even between the moderate wings of the major parties. But the gap is certainly not so wide as to make constructive debate impossible, as the performance of the Select Committee on the Treasury, whose members are drawn from all political factions, has shown. The last Labour Government pursued a monetary policy for three years which was based on many of the same assumptions that are guiding the administration now. The present Government has shown willingness to adapt its policies to the dictates of economic reality, in the case of the steel industry and, perhaps over the question of youth unemployment. Even on trade unions, the Labour Party has, in the past, proposed sweeping reforms.

None of this implies that the parties are identical or that it makes no difference which one is in power. For it is the marginal decisions that determine the course the nation will ultimately follow. It is also the detailed decisions which will determine whether the Government will succeed in steering Britain in the direction of greater productivity and lower inflation which all responsible politicians would like to see. In the Government's means, and in suggesting constructive alternatives the Opposition can have an important part to play.

Germany takes the strain

IN HIS end of term report on the West German economy, Herr Karl Otto Poehl, the president of the Bundesbank, yesterday awarded top marks for performance in almost every important sector. The money supply, to which the Bundesbank attaches overriding priority, has been kept towards the lower end of the 5 to 8 per cent growth bracket at which the bank has been aiming. There should thus be some freedom for manoeuvre later in the year if and when there is need for a quick touch on the rudder. Inflation, probably the Bonn Government's top priority, shows signs of coming down from the un-nerving (in German terms) level of more than 6 per cent in June.

Herr Poehl also admitted to lessening anxiety over the country's unusual current account deficit. He acknowledged for the first time that it had caused him great headaches in the early months of the year. Now, however, the capital outflow of the first quarter appears to have been reversed, and it looks as if it will not be too difficult to finance the deficit through the market and through capital inflows.

Finally, Herr Poehl said that, while recession may have arrived, it is not going to be nearly as serious as it was in 1974-75—a trough from which West Germany in any case emerged rather better than most of its industrialised competitors. West German growth for this year is still estimated at between 2.5 and 3.0 per cent—significantly lower than last year's 4.4 per cent—but the forecasts, whether by the Government or the independent economic institutes, have not had to be adjusted more than marginally for many months. It is for this reason that the bank is continuing to resist demands for an easing of tight monetary policies to counter the threat of a further economic slowdown. Although it agreed to release up to DM 5bn into the money market yesterday as a temporary injection of new liquidity, it is not letting up on interest rates and extreme caution remains the watchword.

The Bundesbank is, in effect,

following the same policies that steered the country so relatively painlessly out of the last recession. It does not want to lower interest rates too soon—not seeing high interest rates as incompatible with growth—and it wants to maintain foreign confidence in the D-mark as a strong currency. At the same time, the bank is not alone in seeing the need for boosting exports and increasing productivity. Here again, it is awarding fairly high marks for new investment and the restructuring of exports, and increased sales to the oil-producing countries are once again materialising in almost the same way that they did after the last great oil price increase.

Of course, with an election only just over two months away, the authorities have every reason for presenting the economy in a favourable light. The opposition could point to the increasing impact of the recession on industrial orders, the prospects of higher unemployment, particularly towards the end of the year, the spiralling price of housing and the difficulties caused to the average German by interest rates that are still at a post-war high. If growth is likely to hold up fairly well over the year, at least by international standards, it is fair to point out that the main impulse will have come from the first quarter.

Performance

The West German voter in October will not, of course, judge the country's economic performance by international standards, but by his own. There are certainly grounds for arguing that by these stringent criteria not everything is perfect. But it looks as if Herr Helmut Schmidt will be able to counter accusations that he has failed to live up to his reputation as an economic mastermind. The greatest danger he faced only a matter of months ago was that a serious recession might destroy that reputation. As things stand, it looks unlikely that there will be a serious economic setback between now and the election.

Middle East threat to petrochemicals

By SUE CAMERON, Chemicals Correspondent

THE European petrochemical industry sometimes gives the impression that it is forever lurking from one crisis to the next. The latest threat to its survival comes from the Middle East where Western oil companies are helping to make the desert bloom with base chemical plants.

The danger of Middle Eastern nations using some of their oil and gas to make cheap petrochemicals for export to Europe has been apparent for years. But now shadowy fears of cut-price competition from countries like Saudi Arabia are being given substance in the form of written agreements to build giant petrochemical complexes during the next decade. The European chemical industry is beginning to ask what effect this must have on its business.

Last straw for many European companies

Earlier this month the Shell group and the Saudi Basic Industries Corporation—SABIC—agreed in principle on the building of a \$3bn (£1.28bn) joint venture petrochemicals project at Jubail on Saudi Arabia's eastern coast. The deal is expected to be signed in September. SABIC and Pecten Arabian, a subsidiary of the U.S.-based Shell Oil, say the complex will be built by 1984 and will come on stream a year later.

It will use methane and ethane—both gases which the Saudis are currently having to flare—as its raw materials. And it will have the capacity to produce 650,000 tonnes a year of ethylene, the so-called "building block" of the chemical industry used in the making of a wide range of things from plastics to fibres, plus large quantities of other base chemicals.

Nor is the Shell project the first of its type. In March the Saudis reached agreement with the U.S.-based Mobil on the building of a \$2bn (£775m) joint petrochemicals complex at Yanbu on the Red Sea coast. The Yanbu site will provide another world-scale ethylene plant.

The Saudis followed up the Mobil scheme by concluding another joint petrochemicals deal—this time for \$1.1bn—with the U.S.-based Exxon. The kingdom is also planning to build a \$268m methanol plant at Jubail in conjunction with a Japanese consortium led by Mitsubishi, and a further \$376m worth of ammonia and urea production capacity is due to be built under a joint scheme with the Taiwan Fertiliser Company.

Meanwhile Qatar is constructing a 225,000 tonnes a year ethylene plant and a 150,000 tonnes a year low density polyethylene—LDPE—plastics material plant under a joint agreement with the French-based Cdf Chimie. Both plants

are understood to be nearing completion.

The prospect of thousands of tonnes of low-price petrochemicals pouring into markets that have hitherto been dominated by European producers must seem like the last straw to many major British and Continental companies. Right now the West European chemical industry is in a virtual state of siege—and there is no sign of a relieving force on the horizon.

The recession is beginning to bite hard. Demand for chemicals has fallen by around 30 per cent throughout Europe; prices are being forced down by anything from 10 per cent to 20 per cent; plants on sites as far apart as Tesside in North East England and Porto Marghera in Italy are being closed down temporarily; and cheap chemical imports from the U.S. are taking an ever larger share of the European market.

Nobody can confidently predict how long and how deep the present economic downturn will be. But European petrochemical producers could find themselves emerging from it just in time to feel the full impact of keen competition from the new producers of the Middle East.

Cheap chemicals from the Gulf could start hitting Europe's markets in as little as five years' time. Some of the major European chemical companies are more sceptical. They believe it will be 1990, before substantial quantities of petrochemicals are produced in the Middle East. But even that will be far sooner than was originally predicted by most of the big European concerns.

Until last year they believed that the shortage of petrochemicals expertise in the Middle East, the lack of a domestic market, the difficulties of putting up high technology plants on green field—or yellow sand—sites, the cost of transport to export markets and the problems of operating plants efficiently would all cancel out the advantages of cheap oil and gas feedstocks in the Gulf.

That advantage has always been considerable. Mr. Bill Thomson of Shell has estimated that in 1974 petrochemical raw materials would have cost nearly eight times more in Europe than in the Middle East. But the other factors involved meant it was still more economic to make base chemicals in Europe than in the Gulf.

The threat from new, Middle Eastern producers could therefore be safely relegated to the distant future. But as Mr. Thomson pointed out, last year the Iranian revolution and the subsequent world oil crisis sent the European price of naphtha chemical raw material soaring upwards. Suddenly the economics of making petrochemicals in the Middle East became far more attractive.

The European contract price of naphtha was around \$135 a tonne in 1974. Today it is

between \$325 and \$335 a tonne—slightly down on the \$350 level of the early summer. Even if it drops a little more, the cost equation of petrochemicals production will still favour the Middle East. Industry experts now reckon that by 1990 the new producers in the Gulf will be supplying about 10 per cent of Europe's demand for base chemicals.

What is more, the chemicals coming in from the Middle East will almost certainly undercut European producers' prices. Countries like Saudi Arabia will make their petrochemicals not from naphtha but from gases such as ethane which are more efficient as feedstocks. And newcomers to the marketplace traditionally try to gain market share by offering rock-bottom prices.

Yet number of senior people in the European chemical industry say fears about these new competitors—although justified to an extent—have been exaggerated. Mr. Alan Binder of Shell, for example, said last month that the feedstock cost advantage enjoyed by the oil-exporting countries would still often be more than offset by the cost penalties associated with higher costs of construction and operation of plants. He added that some Middle Eastern countries might have doubts about using their gas to make petrochemicals when they could be selling it for considerably more money on the world market.

Suddenly the economics became far more attractive

"There are, in a number of the oil-producing countries, growing doubts about the value of the social benefits which might be expected to result from industrialisation," he continued. "Indeed, in some oil-producing countries, it is being openly questioned whether rapid industrialisation, such as would be implicit in massive entry into petrochemicals production, might not place undesirable strains upon social and political institutions."

Some of the major European chemical companies also claim that the Gulf states will look primarily to India and the Far East for their markets. They point out that the chemical projects now being planned are joint ventures with reputable European and U.S.-based major companies which can be relied upon to follow responsible marketing policies.

They add that most base chemical development is taking place in countries which have stable conservative Governments—such as Saudi Arabia and Qatar. One senior chemical manager commented wryly that the prospect of the Libyans building ethylene plants in their socialist desert fastness would make his "hair stand on end." But the Saudis were a different matter. They would offer fair competition and would never try deliberately to

disrupt the European industry. On the face of it, these soothing arguments seem convincing enough. But the evidence suggests they may include elements of complacency, if not downright wishful-thinking.

It is cold comfort for the Europeans to say that the new Middle Eastern chemical producers will concentrate on Far Eastern markets—these markets are vital for continental and UK-based companies. Yet the Gulf states are far more likely to aim for the European market first. Europe is nearer and Europe can provide the necessary demand.

It is also hard to see how even the most "responsible" marketing policies will lessen the impact of large tonnages of base chemicals coming suddenly onto the market. Once a 0.5m tonnes a year capacity plant comes on stream, the product from it has to be sold.

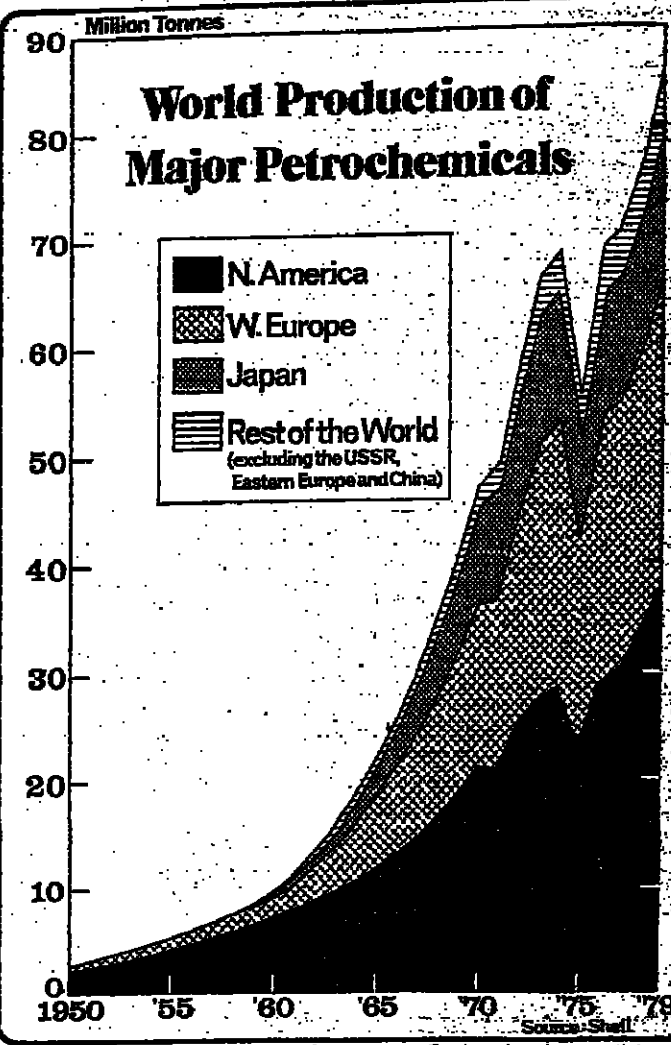
Europe is already suffering from overcapacity in many base chemicals areas. It is true that demand for petrochemicals is expected to grow during the coming decade—but only at a modest rate. Earlier this year Shell estimated that the average growth rate would be around 4 per cent a year—as compared with the 15 per cent annual growth rates of the 1960s and early 1970s.

An annual growth rate of around 4 per cent would increase Europe's ethylene demand from its present level of about 12m tonnes a year to between 16m and 17m tonnes by 1990. Industry experts reckon that the Middle East could be producing as much as 3m tonnes of ethylene by then—and other areas, notably Eastern Europe, will also have raised their ethylene output by the end of the coming decade. The degree of competition from the Gulf is likely to have a devastating effect on European companies' profit margins.

It is therefore a fair bet that the development of petrochemicals production in the Middle East will force some of Europe's older, less efficient plants to close. In itself this will be no bad thing. The process has already started and Europe's production capacity needs to be slimmed down.

But some European industry experts fear the closures may not be limited to outdated plants. They believe investment in modern plants could also be threatened—particularly in Southern Europe. Countries like the UK, Norway and the Netherlands, they say, have their own supplies of gas and oil. They should therefore be in a far stronger position to stand up to cut-price, high volume competition from the Middle East.

Perhaps the strongest argument of those optimists who play down the danger from the Middle East is the fact that the oil companies which are helping to build petrochemicals projects in the Middle East all own refineries and subsidiaries themselves. Common sense suggests that they are not going to cut their own commercial throats.



But common sense could be wrong. One of the reasons—why the Western oil majors are helping to develop a petrochemicals industry in the Gulf is that they receive crude in return. Shell, for example, is expected to obtain around 200,000 barrels of crude a day from Saudi Arabia as part of its \$3bn joint venture chemicals project.

Although it is Shell Oil U.S. that is directly involved in the Saudi deal, presumably the board of the 60 per cent Dutch-owned and 40 per cent UK-owned Shell group must have decided that potential disadvantages to its chemical interests were not that great. But a senior man in one major U.S.-based company—an oil group with chemical interests—has said privately that he does not care whether the Saudis sell their petrochemicals or bury them in the sand just as long as his company gets its extra crude entitlement.

There are some oilmen who see petrochemicals, joint ventures in the Gulf as nothing more than the price that has to be paid for secure supplies of crude. Such an approach bodes ill for traditional chemical producers. For base chemicals from the Middle East will not be buried in the sand but exported to Europe's markets—unless, perhaps, there is a revolution in Saudi Arabia, but neither oil nor chemical companies in the West would relish that prospect.

Development taking place in countries with stable governments

Yet the possibility of revolution in Saudi Arabia or in another of the Middle Eastern oil producing countries cannot be ruled out. One of the biggest petrochemicals projects in the region is at Bandar Khomeini on Iran's Gulf coast. The \$3.5bn complex, being built as a joint venture with the Japanese, was 85 per cent completed before work on it was halted after the Shah was toppled from his throne. The plants are lying idle and unfinished on a site where sand

and salt intensify the problems of corrosion and decay. Chemical industry experts believe the complex will be left to deteriorate still further—despite reports that Mitsui, the main contractor, is preparing to return to Bandar Khomeini later this summer. Yet even the most ardent and extreme revolutionaries tend to turn into traders in the long run. By 1990, petrochemicals production in Iran could be in full swing.

But the development of a strong, export-orientated base chemicals industry in the Middle East will not necessarily have an entirely baleful influence on European producers. It is almost certain to accelerate the current trend for European companies to move increasingly into high value, specialty chemicals.

Trend for Europeans to move into high-value specialty chemicals

Agrochemicals, pharmaceuticals, specialised plastics and chemical intermediates are areas where Europe can drive home the advantages of its expertise in research, process technology and marketing. The German-based Hoechst is already concentrating on its more specialised business—with great success. This month the French-based Rhone-Poulenc has virtually pulled out of base chemicals altogether so as to concentrate on its stronger, specialised activities. The consensus is that the French-based group has acted wisely.

Petrochemicals production is increasingly becoming the preserve of oil majors with chemical interests or of companies like Imperial Chemical Industries which have a stake in oil. Their size and diversity will put them in the best position to withstand competition from the Middle East—especially if they have access to North Sea gas.

But for some of the other traditional European base chemical companies, the advent of a Middle Eastern petrochemicals industry may have savage consequences.

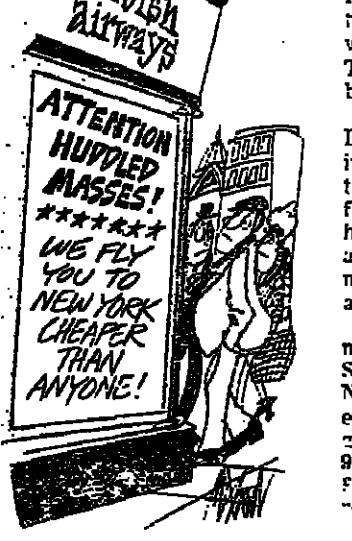
MEN AND MATTERS

The judgment of Salomon

Bloody but unbowed, Rea Brothers chairman Walter Salomon left yesterday's Vickers general meeting in a pugnacious mood after his failure to halt the Rolls-Royce merger in its tracks. "I am a David against Goliath," he told me in the vote-counting interlude before the announcement that Vickers shareholders favoured the deal by more than five-to-one. "You never achieve anything in one go" was his enigmatic parting shot.

Vickers chairman Sir Peter Matthews seemed at times to wilt visibly under the weight of Salomon's rhetoric, but came back each time with the now-familiar arguments in favour of the merger's "industrial logic." He was supported by erstwhile Vickers director and Lloyds Bank chairman Sir Eric Forth.

Energised by Salomon's frequently heated and lengthy contributions, the temperature of the meeting soon exceeded that of the sunny mid-day air. "Balderdash," cried one side.



"Codswallop," retorted the other. But while Salomon's continuing refusal to disclose the extent of his personal interest in the merger was an irritation and his friends in the meeting encouraged by the spectacle of any shareholder with the drive to subject major corporate decisions to the on-the-spot scrutiny which only a general meeting affords.

Now with the DoI stamp of approval on his merger oppos, Salomon, a 44-year-old lawyer, is in his 44-year-old legs, he is already busy on a new set of lists. Covering garages and petrol stations, he even has energy for rural rambles for a catatone of farms and rural businesses.

Into the lists

Leg-weary from a five-year trek through the streets and alleyways of urban Britain, John Sidwell comes to London today bearing the fruits of his wanderings: 82 fat volumes and 2,000 large-scale maps.

The books and charts, backed with a computer library, he claims, pinpoint the locations, specialities and needs of more than 120,000 small companies. He is offering the information to industry at large in the hope of profiting substantially from the money he has invested in shoe leather and other research materials—and of saving the legs of the country's corps of salesmen.

A large proportion, he explains, of the time of the 100,000 salesmen in Britain—not to mention their £2bn cost to industry—is spent on finding where potential customers live. This wearisome job has now been done for them.

With junior industry minister David Mitchell supporting his introduction, Sidwell hopes to repeat nationally the successful sales of information from his unique census which he has already negotiated with customers which include GKN, BP and Lex Services.

Readers with long memories may remember the energetic Sidwell from his days with the Neville Group, a publicly-quoted engineering-to-mushrooms conglomerate. When he sold his 9 per cent stake in 1973 for \$450,000, he was expected to disappear quickly with a new business venture. It was not

until 1975, however, that he found his fresh start.

He moved in on Market Location Ltd., a small Leamington business which was floundering badly in its attempts to produce an industrial census. Immediately attracted by the potential of the idea, he took on the task. At the time, however, as he now admits, he had no idea that the work would take so long nor did he believe it would absorb almost his entire fortune.

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Gregory's Law

Devotion to knocking the corners off "square" engineering graduates leads Sydney Gregory into some curious postures. The process, he tells me, may start with his delivering a lecture wearing a funny hat, or from a perch on top of an upturned wastepaper basket. The aim, I gather, is to prepare his students for the testing times they face in Aston University's Interdisciplinary Higher Degrees Scheme.

"One of my objects," says Gregory, a retired university reader (turned "outworker" on the scheme, "is to put a little flex into rather square but bright engineering graduates and to set up little problems for them." Teetering atop his wastepaper basket, he sets out to unbalance their perception of what is expected of a lecturer and, he hopes, themselves. "One of the real difficulties is to get them to unbend a little and to look at problems the other way round."

Through a process which I had better call elliptical thinking—since he forbids me to mention the works and name of our best-known lateral thinker

in his presence—students are confronted with real and fancied posers from industrial sponsors who pay half the scheme's bills and from Gregory himself.

He recalls the case of a major company which set up a factory to produce sophisticated materials for use in the short-run Concorde project. The question of what to do with the output from the plant was brought to Aston, Gregory, deliberately avoiding the stock solution of "market research," put the original question to one side, and began by asking the students under what sort of conditions does industry elect to adopt new materials. "We turned it upside down, inside out and turned it back on itself." The result was 200 potential uses and a job with the sponsoring firm for the lead student on the project.

Other schemes, however, have tended to turn into strictly intellectual exercises. Although some 40 options came up when the researchers were asked to find a new use for a redundant cooling tower in Wolverhampton, their notions were ignored and the tower was knocked down.

No experience, however, is wasted on Gregory. From the rubble springs an offer of help to Dorset reader Richard Hindson who is troubled by the demolition men's apparent inability to remove two unwanted gasholders from the Bridport skyline.

"What he should do," says my man on the wastepaper basket, "is to encourage a project to develop a new use for the gasholders. Then, by the law of universal cussedness, they will be razed."

Observer



For many elderly people, going into a "Home" seems like the end of the world. Nevertheless, our headline is a typical quotation from one of our residents' letters.

The Distressed Gentlefolk's Aid Association runs a particular type of Home for a particular type of person. Not just what is implied by the "Gentlefolk" in our title but anyone, man or woman, who will "fit-in" with our other residents.

We have 13 Homes in all. Some Residential, some full Nursing Homes. Anyone who needs a Home but who lacks the necessary financial resources can apply to the DGAA for help.

Places are short, because money is short. Your donation is urgently required. And please, do remember the DGAA when making out your Will.

DISTRESSED GENTLEFOLK'S AID ASSOCIATION

VICARAGE GATE HOUSE, VICARAGE GATE, BIRMINGHAM B1 4AA

"Help them grow old with dignity"

هكزامن النحل

Stormy seas for Midland-Crocker launch

BY STEWART FLEMING IN NEW YORK

MIDLAND BANKS plans to spend \$200m buying 57 per cent of the California-based Crocker National Corporation, the 14th largest U.S. bank, has been launched into stormy political seas.

Tomorrow the plan, which has stirred up the mounting controversy over foreign bank takeovers in the U.S. to a new pitch, may face its first political test. The Senate Banking Committee is due to finish details of a new piece of banking legislation and Washington is rife with speculation that an effort will be made to attach to the bill a clause reimposing the ban on foreign bank takeovers which expired at the beginning of this month.

The chances of a moratorium being passed by both Houses of Congress as the pre-election session expires sometime in October, are impossible to calculate. One bank regulator in Washington last week put them as high as 50:50.

There is undoubtedly a strong undercurrent of sentiment against foreign takeovers

of large U.S. banks. It emerged in the wake of the Hongkong and Shanghai Banking Corporation's controversial bid for control of Marine Midland Bank. It has been fanned not only by the Crocker proposal but also by the planned acquisition of Financial General Bankshares (a leading Washington bank holding company) by Arab interests and the fear that some large U.S. banks, particularly weaker ones such as First Pennsylvania Bank, are obvious targets.

Testimony to the uncertainty which these cross currents have fostered has been all too evident on Wall Street. On the day two weeks ago that Midland announced it was preparing to pay around \$50 a share for 8.5m of Crocker's 12.9m shares, and subsequently to inject \$495m of new capital by buying a further 8.5m new shares at around \$90 each—close to double the current book value—Crocker's stock was trading around \$36.

Recently far from rising to reflect the value of this offer to shareholders (at a time when most leading banks are selling

at below book value or only a little above it) the Crocker stock has fallen to around \$34.

Next month the General Accounting Office (GAO) is expected to produce a report recommending a moratorium on foreign takeovers, a report which promises to be one focus of Congressional hearings in September.

Certainly, there are powerful forces lined up against a moratorium, including the opinion of the Federal Reserve Board and the long established U.S. tradition of welcoming foreign investment in most sectors of the economy.

But what makes the situation particularly difficult to read is the fact that the foreign banking issue is becoming bound up with what promises to be the decisive domestic issue for the U.S. banking industry in the current decade: reform of outmoded banking laws which prevent U.S. banks opening branches or making acquisitions outside a single State.

These laws are responsible for the fact that there are some 14,000, mainly diminutive, banks in the U.S., thousands of them enjoying virtual monopolies in their home towns or regions because of geographic constraints on competition.

There are already predictions that within the next few years reform of these laws will result in a wave of mergers and closures in the U.S. banking industry which could halve the number of independent banks. Little wonder then that the small banks facing this threat are preparing to mount a fierce rearguard action and are awaiting with some trepidation a White House report due shortly, which will set out the Administration's views on this issue.

Only last week, the powerful American Bankers Association,

after studiously avoiding the issue of national banking because it had threatened to divide its members, began the process which will lead to the trade association forming an official policy on the issue. Officials concede that they could no longer duck the topic for fear of finding themselves overtaken by events which they might be unable to influence as decisively as they would wish.

A latent protectionist mood in the country is among factors which have turned foreign bank acquisitions in the U.S. into something of a political issue. They could consume the Midland/Crocker deal in controversy in the 12 months or more it will take for the Federal Reserve to decide whether the deal can proceed.

While not directly related to the banking industry this vein of protectionism could lead some politicians with neither the time nor the inclination to grapple with the complex issues raised by foreign control of big financial institutions to cast a vote against what many of them

and finance industry is facing a decade of perhaps unprecedented change. American bankers are also becoming genuinely worried about their relative decline in international stature compared with their rapidly expanding foreign competitors.

According to a recent report by the Comptroller of the Currency, called "U.S. banks' loss of global standing," in 1956 44 of the largest U.S. banks ranked among the world's top 100 banking corporations, whereas by 1978 the figure was down to 15. The table shows how the number of U.S. banks ranking among the 10 largest in the world has dwindled in recent years.

American banks are worried that their relative decline will adversely affect their profitability and their ability to compete. They fear that U.S. banking laws which prevent them from lending more than the equivalent of 10 per cent of their capital and reserves to a single borrower will limit their ability to participate in large credits as their relative size declines and so strip them of the lead management fees the bigger banks command.

Some U.S. banks feel that one of their main problems in competing is the fact that unlike their foreign rivals they cannot fully exploit their own domestic market.

It is true that most of the largest U.S. banks have begun to sidestep regulations limiting them to a single state by opening non-bank subsidiaries such as finance companies across the country or by setting up lending offices in several states. But their inability to expand by acquisition and through opening deposit-taking branches across the U.S. is becoming increasingly irksome. They are un-



Sen. William Proxmire, chairman of the Senate Banking Committee, which starts considering new banking legislation in Washington tomorrow

proposal is a direct reflection of one U.S. bank's (Crocker's) assessment of the competitive forces ahead and the strengths it will need if it is to play a leading role at the world banking level. Five, or even three years ago it was virtually inconceivable that an American bank the size of Crocker (its assets total over \$17bn) would feel the need to welcome the embraces of a foreign rival.

Unlike other recent foreign acquisitions there are no extraneous pressures on Crocker's management of the kind which forced the financially troubled Marine Midland management (assets \$13bn) to welcome Hongkong and Shanghai's bid. Crocker is a soundly capitalised and profitable institution operating in a market—California—which is one of the most attractive, albeit competitive, banking markets in the country.

The large U.S. banks, far from joining forces with those who would seek to block foreign acquisitions of American banks are quietly using the foreign bank takeover wave as a stalking horse. Their argument is that the steady flow of foreign intruders dictates that U.S. banking laws must be changed to allow American banks to expand in size and strengthen their competitive position through inter-state takeovers.

Some of the larger U.S. banks, while seeking the attractions of increased size, may decide that if they wait Congress will expand the universe of potential partners to include other U.S. banks. This might provide U.S. bank managements with more congenial partners and fewer potential management problems (and bank shareholders with a better price for their stock) than merging with a bank overseas.

AMERICAN BANKS IN THE WORLD'S TOP 10		Assets (\$bn)
1970	Bankamerica	25.6
	First National City (Citicorp)	23.1
	Chase	22.2
	Manufacturers Hanover	12.0
	J. P. Morgan	11.4
	Western Bancorp	10.6
	Chemical	9.7
1975	Bankamerica	60.4
	Citicorp	57.3
	Chase	42.5
1980*	Bankamerica	103.9
	Citicorp	102.7

* Figures less capital accounts.

Source: The Banker

Mergers... which could halve the number of independent banks

will see as unfair foreign penetration of U.S. markets.

Why unfair? Simply because U.S. banking and anti-trust laws make it impossible for a large American bank to do what Midland is proposing and what Hongkong and Shanghai or National Westminster Bank have already done.

It is Midland's misfortune, moreover, to find itself acting at a time when the U.S. banking

Co-operative ownership

From the Research Officer, The Co-operative Party.

Sir—People demand higher and higher cash wages each year to keep up with inflation because the system of ownership and control of British industry does not provide them with any other interest in their employing enterprise than cash reward. Efforts have been made over the years to encourage the workforce to identify more closely with their enterprises and share ownership schemes have been established and encouraged by recent Budgets. These schemes have two main drawbacks: they leave undisturbed the pattern of control of companies; employees are, collectively, a long way from obtaining a controlling interest in a company; and (this factor has been given greater emphasis in this year's Budget) the schemes are so structured to place financial reward at the heart of the incentives for participating in the scheme, thus negating many of the positive benefits from share ownership.

For co-operatives share ownership is an essential qualification of membership but control rests with the body of members irrespective of their shareholding. Because of this co-operatives are not prone to "dawn raids" since accumulated share ownership is not the means of control. If a company becomes co-operative with its workforce controlling the venture (and with the interests of those owning shares in the old company protected by reclassifying their capital as non-voting loan capital at yields equivalent to or higher than the dividends they previously obtained) then they would have interests in the venture other than a narrow financial one. The range of rewards available to them from the enterprise would include long term job security, a say in all the important decisions of the enterprise, interest on their loans and loans to the co-operative, as well as the personal income which they would derive for their services and any bonuses which were paid.

This system of reward, hits at one of the causes of inflation and, I would argue, results in higher productivity, and little, if any, industrial unrest. Members of existing co-operatives are very well aware that their wage rates are directly related to the prices they charge for the goods and services that they produce. They are also acutely aware of the need to be competitive and to offer viable goods and services. The co-operative form of organisation provides them with the ready means of identification with the enterprise and the incentive to generate success.

As things are the financial structure of British companies allocates rewards unfairly and in such circumstances workers have no alternative but to do what everyone else in the system is doing—protect their own interests. Under co-operative ownership interests coalesce: the "two sides" of industry are united in common interest and purpose. Rewards and responsibilities are allocated on a more equitable basis.

British companies, especially the small and medium sized would, therefore, be well advised to take seriously the possibilities of conversion to co-operative ownership, especially as the alternative, defence of vested

interests, is the trigger to the twin evils of inflation and unemployment.

Peter Clarke, The Co-operative Party, SW1.

Why workers work

From the Director Aims.

Sir—Walter Goldsmith of the Institute of Directors is quite right (July 23) to draw attention to the danger of the EEC foisting trade unionists on the boards of British companies. For that he deserves our congratulations.

What I would like to do is to raise the whole question of the illiteracy of the debate on "participation." Anyone interested in the vast problem of how and why workers enjoy working knows that one of the clues is to provide the maximum opportunity for using their intelligence and experience. This is the lesson of the great experiments from Hawthorne onwards. The best research has been done in the U.S. and it has resulted in the whole creative work approach. In Britain in the 1950s we had the splendid Tavistock work in the mines which showed that miners were more inclined to be productive when they were involved in the whole process. The research was, alas, forgotten in Britain but reappeared in the motor industry in Scandinavia.

The real answer, participation, then, does not work councils though they may do no harm. It is a planned approach by management to involving workers in their jobs. The biggest obstacle to this is not management but our unique ship steward system. Here we have a vested interest directed against genuine participation. It will need courage by management to break through this obstacle—and less blurred speeches by members of Government.

Michael Trevis, Aims, 40 Doughty Street, WC1.

Undermined by cuts

From Mr. M. Kerridge.

Sir—Recent correspondence regarding public spending on transport has concentrated on vested interests. Therefore, to keep a balance, I would add a viewpoint from the bus industry. It must be remembered that this industry carries ten times as many passengers as British Rail and provides one-fifth of all motorised passenger journeys in this country.

Being involved in both public transport and road transport, we can see both sides. British Road Federation argues that "it is odd that BR should feel it appropriate to claim that rail investment is unfairly treated in comparison with road." Yet that was indicated in the Leitch committee on trunk road assessment which was welcomed by the Federation. Your railway correspondents are on surer ground in stating that if a consistent measure of cost/benefit analysis were applied to rail investment, as it is to road, then rail investment would appear relatively more attractive. The achievement of such consistency should be a major policy aim of the Government in its quest for better value for the money it spends on transport.

Cost/benefit analysis applied on an equal basis to all forms

of transport investment would in many cases show an even higher rate of return to bus services than to railway services. Much depends on local circumstances but the humble bus, efficient in its use of energy and of track, is all too often undervalued and certainly has a major contribution to make in an era of declining investment. This role is being frustrated by the same lack of rationale in transport planning which is so frustrating the railway.

Bus services are also being undermined by arbitrary cuts in central and local government expenditure, so that services are in danger of collapse in many areas, further increasing people's dependence on their cars (if they have any). The new Transport Act will not solve these problems. It is time for a new deal for public transport in this country. Martin Kerridge, Confederation of British Road Passenger Transport, Sardinia House, 52 Lincoln's Inn Fields, WC2.

Static 'bus service

From the Leader, Greater London Council.

Sir—I am no expert in the intricacies of bus scheduling but I think Harley Sherlock (July 15) has fallen into a technical snare.

If the existing bus timetable allowed for congestion the service would be regular and reliable. Because it does not, it isn't! It follows that, with no congestion the buses might run more reliably and regularly (there is no guarantee) but even if they did the same number of buses could only provide 1 per cent more bus miles—which is all that is lost now through congestion.

I am all for regularity and reliability, which is why the Greater London Council is still installing bus priority measures where they are likely to prove effective. What I do not accept is that we should restrict the general freedom of hundreds of thousands of road users in order to procure, at vast expense, what would at best be a marginal improvement in the bus service.

Neither traffic restraint nor fares subsidies provide one single extra bus on the road, a fact which should always be remembered whatever their other merits. (Sir) Horace Cutler, County Hall, SE1.

Investment in transport

From Dr. J. Collings.

Sir—The director of the British Road Federation (July 21) scores some easy points at British Rail's expense but does not actually address the question of comparability of investment criteria between road and rail raised in BR's advertisement of July 17.

In comparing the cost of road infrastructure with rail rolling stock, BR rather undermines its own case since the rolling stock for roads is of course provided by the users. In the case of company investment in road vehicles, decisions will be based on financial returns and are comparable with the criteria imposed on BR. On the other hand, the private motorist's decision will take account of both time savings and financial returns and will be more com-

parable with cost benefit appraisal (although unlike cost benefit appraisal it ignores the congestion costs imposed by each motorist on other road users). It is certainly the case that different criteria are used in assessing road and rail infrastructure investment projects. Most rail infrastructure investment however, is not subject to appraisal, being justified as essential replacement or by safety considerations. Hence the issue of comparability affects only larger rail infrastructure projects such as electrification.

The difference between financial and cost benefit rates of return are also somewhat exaggerated by the advertisement. While time savings to rail passengers are not directly reflected in the financial rates of return, it will be possible for BR to obtain some of these savings in the form of increased revenue through appropriate pricing of improved services. Such increases in revenues will raise the financial rate of return. Further, the wider view taken in cost benefit analysis can lead to a lower rate of return than the corresponding financial rate of return. For example, if the channel tunnel reduces net revenues on other crossings, the cost benefit returns to the tunnel would be reduced but the financial returns (being solely concerned with the tunnel's costs and revenues) would not.

In practice there must be doubts as to how far the issue of comparability matters. Large parts of investment in both road and rail are not appraised and it is far from obvious that ministerial decisions on the size of the road and rail investment budgets are based on the relative rates of return shown by investment appraisals in the two sectors. (Dr.) John Collings, University of Aston, 168 Corporation Street, Birmingham.

Let them move home

From Mr. D. Wigley, MP.

Sir—The Prime Minister came to Swansea on July 19 and told the unemployed of Wales that if they couldn't find work they should pick up their roots and leave to look for work elsewhere. She did not specify where they should go and in the light of Tuesday's unemployment figures which show that in the best English region there are already six unemployed persons chasing every vacant job, Mrs. Thatcher's advice would seem as useless a remedy as are the rest of her policies.

Would the Prime Minister seriously tell the unemployed people of the Midlands and the South East that if they want to find work they should uproot themselves and emigrate to some overseas country where work is available? Such an attitude towards the English jobless would not be tolerated and yet this woman thinks she can get away with advocating such a remedy to Wales.

It should therefore come as little surprise in due course that the people of Wales may well tell Mrs. Thatcher and her Government (a Government which has no mandate in Wales) that it is they who can uproot themselves and leave Wales—and let us get on with governing ourselves without suffering the ignominy of arrogant insult added to economic injury. Dafydd Wigley, House of Commons, SW1.

Today's Events

August 2).

PARLIAMENTARY BUSINESS

Overseas: Lord Carrington, Foreign Secretary, starts official tour of Brazil, Barbados, Venezuela and Mexico (until August 10).

Final day of President Portillo of Mexico visit to Brazil.

Organisation of Petroleum Exporting Countries strategy committee continues in Tai, Saudi Arabia.

House of Commons: Debate on Opposition motion of no confidence. Motions on notification of accidents and dangerous

occurrences regulations, and industrial tribunals (rules of procedure) regulations.

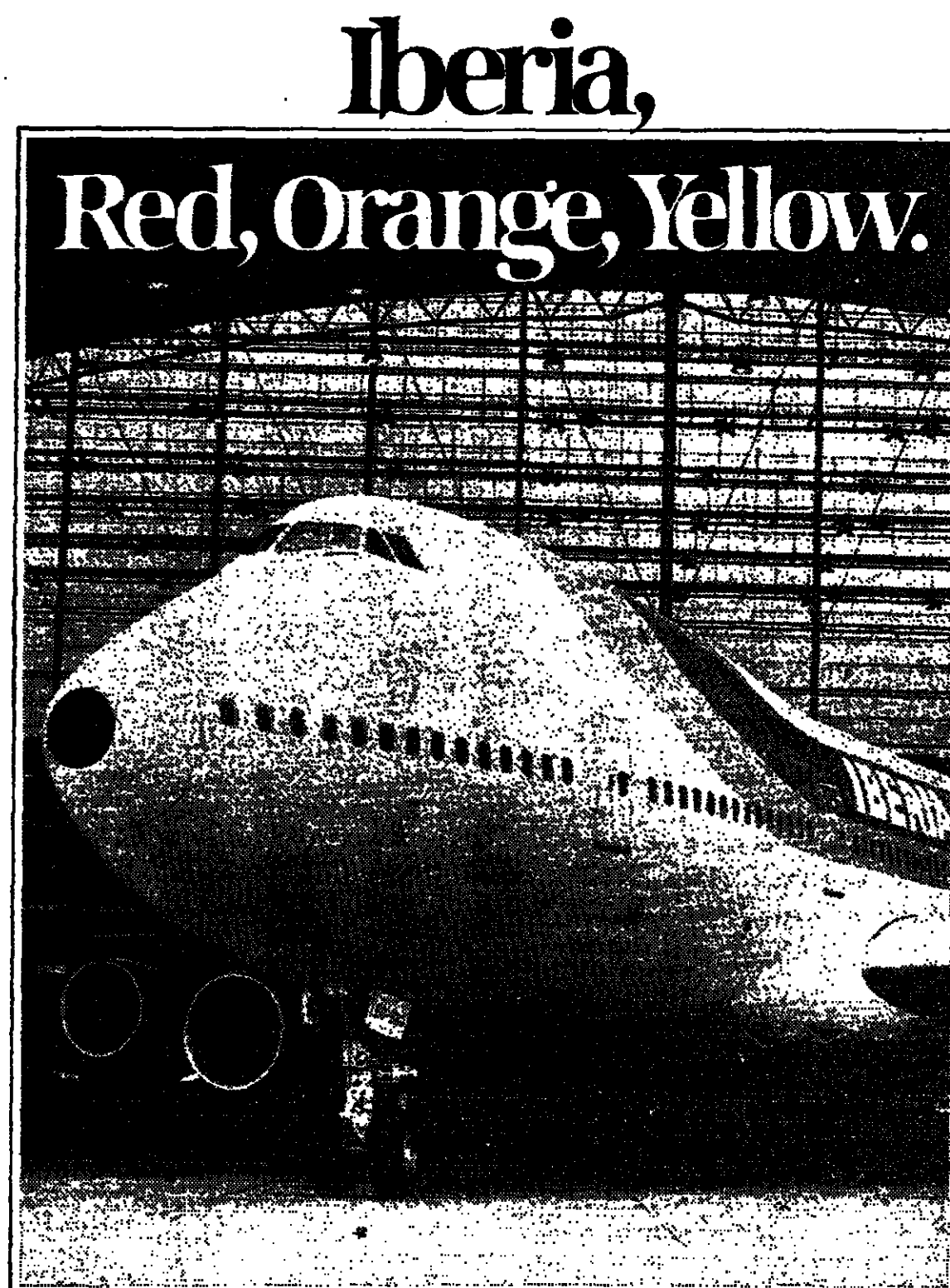
House of Lords: Tenants Rights (Scotland) Bill, report stage. Motions to approve cinematograph films (collection of levy) (amendment No. 8) regulations 1980. Cinematograph films (distribution of levy) (amendment No. 2) regulations 1980.

Select Committees: Treasury and civil service, on monetary policy. Witness: Prof. J. Tobin, Yale University. Room 15, 10.45 am. Public accounts, on

the green paper on the role of the comptroller and auditor general. Witnesses: Mr. Michael English, MP; Sir Douglas Henley, comptroller and auditor general. Room 16, 4 pm.

COMPANY MEETINGS

Barlow's, Plantation House, 10-15, Mincing Lane, EC, 12.15. Durapine International, Walford Hotel, Aldwych, WC, 11. Elliott of Peterborough, Great Eastern Hotel, Liverpool Street, EC, 12.15. Hill Samuel, Plaistons Hall, London Wall, EC, 12.15. W. L. Fawson, Howard's Hotel, Temple Place, WC, 11. Transparent Paper, The Cafe Royal, Regent Street, W, 12.30.



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UK COMPANY NEWS

Inchcape up to £65.6m and excellent start this year

SECOND-HALF taxable profits of Inchcape & Co. jumped from £18.05m to £34.45m giving the group £65.61m for the year ended March 31, 1980, compared with £41.05m on turnover down from £1.58bn to £1.54bn. Last August, the Earl of Inchcape, the chairman, said he was confident that profits would return to around the 1977-78 level of £63.66m.

In the current year, buoyant trading conditions have so far continued in the group's major trading areas and provisional management returns show that an excellent start has been made: results for the period to date show a marked improvement over those for the same period last year.

A divisional breakdown of 1979-80 profits shows (in £000's) — general merchants, agents and related activities £18,434 (£11,659); motor vehicle distribution and assembly £26,903 (£12,488); insurance brokers and agents £4,403 (£3,936); marine operations £6,326 (£7,359); timber and construction £4,472 (£3,061); engineering and manufacturing £298 loss (£1,406 loss). Associates' contributions increased sharply from £4.95m to £10.64m.

The rising pound resulted in a reduction of over 27m in translation of profits to sterling compared with exchange rates ruling at the previous year-end.

Tax took £25.03m (£23.15m) and after minorities and preference dividend, profits attributable to ordinary shareholders emerged well up from £16.28m to £34.45m, representing earnings per £1 share of 43.1p (20.2p). The dividend total is raised from 18.5p to 18.15p net, with a final of 11p.

Extraordinary debits accounted for £1.31m to £5.7m and included a provision of £4.53m (£0.9m) against net assets in Iran. Dividends absorbed £14.72m (£13.34m) and retained profits were £14.66m, against £16.5m last time.

The chairman reports that the sale or close down of the commodity trading activities in Holland of Harbom has almost been completed.

In Iran, Gray Mackenzie still retains a foothold in the shipping side of its business, but all that company's other net assets in Iran has been provided against in the accounts.

Elsewhere in the Middle East, operations have been reasonably satisfactory with increased activity in port management, tug and shipping operations. There has also been an expansion in

HIGHLIGHTS

Lex looks at the latest in the Vickers Rolls-Royce get-together following the approval of Vickers' shareholders yesterday and the news that GEC is delaying settlement of the two companies' joint claim over nationalisation compensation for British Aerospace. GEC seems to be holding out for a change of heart by the Government. The Inchcape Group reported a recovery in profits yesterday thanks to the absence of cocoa trading losses which hit the previous year. Lex also explains the severe shortage of funds in the money markets with commercial bills speedily returning to the banking system following the ending of corset controls. Wilkinson Match was suspended yesterday pending an announcement—probably out today—while Marinex made an unimpressive debut on the market.

Poon's industrial catering business in the area.

It was an excellent year for the group's activities in the Far East and South East Asia. There Bernad's operations in Malaysia was a recovery in Inchcape and Singapore, where the rationalisation initiated in the previous year enabled it to take full advantage of improved conditions.

In Japan, despite an overall decline in liquor sales, profits were in part sustained in Dodel's specialised equipment business and shipping agencies, while the group's Hong Kong companies all benefited from the flourishing trading conditions. So far trading has continued strongly in the current year in all these areas.

The group has further developed its interest in trading relations with China assisted by setting up of China trade offices in Hong Kong and Peking.

The board regards the Pacific basin generally as a growth area, including Australia where profits have been well maintained.

In the motor distribution business, the group has remained loyal to British Leyland and will continue to do so but, as a result, particularly in the UK, its agencies have suffered from the difficulties of the motor industry in this country. These have been largely offset by profitable trading in other sectors of Inchcape's motor business.

There has been steady growth in the banking business of Gray Dawes.

Inchcape (Bermuda), a wholly owned subsidiary is to issue U.S.\$40m convertible guaranteed bonds 1985 guaranteed by Inchcape. The bonds are expected to carry a coupon of 8 per cent payable annually in arrears. They will be convertible on

and after February 15, 1981, into ordinary £1 shares in Inchcape at a price which is expected to represent a premium of not more than 10 per cent over the market price of the shares on the date when the bonds are formally offered.

For the purpose of calculating the number of ordinary shares to be issued on conversion, a fixed dollar/sterling exchange rate will apply throughout the life of the bonds. Application has been made for a listing for the bonds on the Stock Exchange.

Net proceeds of the issue are intended to be used towards repaying shorter term foreign currency borrowings of the Inchcape group and financing its future expansion.

Mann Egerton and Co., the wholly-owned motor retailing and industrial subsidiary, reports a significant reduction in pre-tax profits from £4.32m to £2.19m for the 1979-80 year, on lower turnover of £182.7m, against £184m.

Good results from Rolls-Royce, contract hire and tractor divisions could not offset substantially reduced margins from the dominant BL car sales activity.

Adverse trading conditions in motor car retailing, which started in July 1979, continue.

Profits from the motor division dropped from £6.42m to £4.92m on turnover of £164.94m (£163.7m) while the industrial side incurred losses of £0.45m (£0.67m) on £17.76m (£20.3m) turnover. Interest and display charges rose from £1.43m to £2.25m.

Tax charge, increased by a claw back of stock relief arising from reduction in stock levels, was higher at £1.57m (£0.96m) and profits attributable to ordinary holders emerged at £0.29m, against £2.57m.

Lex, Back Page

Higher interest cuts Ward & Goldstone to £2.6m at year end

AFTER much higher interest, up from £741,507 to £1.84m, pre-tax profits of Ward & Goldstone, insulated wires and cables, electrical accessories manufacturer, finished the March 31, 1980 year down from £3m to £2.61m. Turnover expanded by £1.15m to £74m.

Profit at the interim stage had fallen to £1.08m (£1.4m) after interest of £745,000 (£238,000), but it included a credit of £550,000 (£24,000) on the sale of fixed assets.

Stated yearly earnings per 25p share are 17.24p against 19.69p but the dividend is increased to 5.4p (4.9916p) net with a final of 4.5p.

Profit was also struck after depreciation of £1.73m compared with £1.48m, but was before a tax credit of £212 (£22,005) charge.

There was an extraordinary credit of £1.18m (nil) and exchange losses of £644,508 (nil), and the amount retained was £2.3m against £2.22m.

Capital expenditure during the year totalled £42.1m.

comment

It would be nice to see some larger, rather than smaller, numbers from Ward and Goldstone, which has produced the third successive year of pre-tax profits decline. Yet the second half represented a strong recovery against the first and the company is clearly taking measures to protect itself. The past few months have seen 1,400 redundancies, a cut-back of no small dimensions and the loss of 5,000 employees. About one half of the lay-offs occurred in the car wiring division, which is performing reasonably in the first quarter of the current year.

There have been other efforts at streamlining and a new factory for electrical accessories is being developed near Wigan. But interest charges are taking their toll, having more than doubled last year. Net borrowings are approaching £13m and this means a gearing level of close to 60 per cent, a level which may become less workable as the company brings its operating costs down.

Meanwhile, given the difficulties facing others in the electrical accessory business (such as M.K. Electric), Ward and Goldstone will have to work hard to correct its recent profit slump. The yield is 12.5 per cent and a fully taxed p/e of 7.4 at 66p makes the shares look reasonably priced.

Lex, Back Page

Lex, Back Page

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY
Interiors—Bath and Portland, City Offices, Graydon Far Eastern Trust, Grindlays Holdings, "Invagating in Success" Equities, National Westminster Bank, Vanarama
Fleming—Acrux, Bahawan Brewery, Brady Industries, Manson Finance, Regional Properties

FUTURE DATES
Interiors—Bath and Portland, City Offices, Graydon Far Eastern Trust, Grindlays Holdings, "Invagating in Success" Equities, National Westminster Bank, Vanarama
Fleming—Acrux, Bahawan Brewery, Brady Industries, Manson Finance, Regional Properties

FINALS
Alfa Investment Trust Aug. 7
Black (Peter) Aug. 7
Glynwed Aug. 7
Stenhouse Aug. 14
Taylor Woodrow Aug. 5
Wardle (Bernard) Aug. 21
Woodhouse and Rixon Aug. 19

INTERIM
Alfa Investment Trust Aug. 7
Black (Peter) Aug. 7
Glynwed Aug. 7
Stenhouse Aug. 14
Taylor Woodrow Aug. 5
Wardle (Bernard) Aug. 21
Woodhouse and Rixon Aug. 19

Unilock sales and profit up

AS EXPECTED, Unilock Holdings, the partitioning systems and office furniture group, has again increased its profits and reports a pre-tax figure up from £1.36m to £1.51m for the year to March 31, 1980, on sales of £13.48m against £11.25m.

However, Mr. M. H. Newman, chairman, says the immediate prospect is that the group is likely to experience an overall reduction in volume and profit against budget and possibly also against the 1978-79 figures.

But with the recent acquisition of the Ergonom Group and other developments carried out during the year, the Board has invested the equivalent of over £2m in the future growth of the group.

The chairman believes these significant moves will stand the group in good stead.

Stated earnings per share at the 1979-80 year-end are 8.5p against an adjusted 4.73p and a final dividend of 1.45p effectively lifts the total from 1.79p to 2.1p.

The group's shares are traded in the market made by M. J. H. Nightingale and Company.

Hartley back in profit

INCLUDING TAX credits, higher at £31,010 against £2,360, Hartley Industrial Trust, property investment, development and dealing company, turned in a profit of £55,816 for the year ended March 31, 1980, compared with a loss of £90,520.

Stated earnings per 20p share are shown as 3.24p against 5.25p loss, but again there is no dividend—the last payment was 0.67p net for 1977-78.

Turnover for the year improved to £444,401 (£381,843). The tax credit included £27,820 (£1,470) relating to extraordinary items.

Profit was boosted by an extraordinary credit of £65,390 (£4,702). The company is a subsidiary of Honeytree Trading Company, whose ultimate holding company is Alrcalife.

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Gresham Investment lifts profits 21% and confident

TAXABLE PROFITS of Gresham Investment Trust climbed 21 per cent from £1.23m to a record £1.47m for the year ended March 31, 1980, compared with a forecast of around £1.4m made at the interim stage. Despite the current economic outlook, the directors are confident that results for the current year will again be satisfactory. The group's principal activity is merchant banking.

When reporting first-half profits up some 15 per cent from £0.5m to £0.58m, the directors forecast that the percentage rise would be maintained in the second six months.

Mr. Peter Wreford, the chairman, says a worthwhile increase in new business has been achieved, despite increased competition from several institutions who were not previously active in providing finance for smaller companies.

The financial position of the group is exceptionally strong and liquidity remains high, he states. Gresham is maintaining its policy of sound and prudent expansion of its banking operations and, at the same time, is expanding the activity of providing long-term and permanent capital to the successful private company.

The group has a number of investments in companies where its interests comprise more than 20 per cent, although they are not "associated" investments. If earnings from these companies, instead of actual dividends received, had been included, pre-tax profits would have been £2.21m (£1.65m).

Tax for the year took £0.37m

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corr. of sp. for year	Total last year
Colonial Secs. Int.	3.15	Sept. 1	2.5	10.5
Gresham Inv. Trst. Int.	2.12	Aug. 29	1.55	3.67
Habit Precision Int.	0.55	Sept. 1	0.55	1.10
Hampson Inds. Int.	0.83	Oct. 2	0.83	1.66
Inchcape Int.	1.19	Oct. 2	1.19	2.38
Provincial Cities Int.	1.29	Oct. 2	1.29	2.58
Temple Bar Int.	2.5	Sept. 30	2.25	4.75
U. C. Investments, Int.	4.5	Sept. 12	1.7	6.2
Ward & Goldstone Int.	4.5	4.09	5.4	9.49

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Final of not less than 5p forecast. § Final of not less than 5p forecast. ¶ South African cents throughout.

(£0.46m) and earnings per 25p share advance from 4.7p to 5.6p. A net final dividend of 2.12p lifts the total payment by 26 per cent to £2.3461p to 2p per share, absorbing £438,000 (£372,000).

Net asset value, after prior charges at par, was 75p per share. Capital profits, before tax, amounted to £215,000, compared with £768,000.

comment

The shares of Gresham Investment Trust, at 76p, are now trading at a small premium to their balance sheet book value. This is partly because the market value of Gresham's gifts and quoted investments has risen substantially since last March and partly because its very cheap loan stocks are entered at par.

comment

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Recession forces Monument Secs. to close U.S. operation

Universal Towel, the U.S. subsidiary of Monument Securities, which supplies industrial laundry machinery, has ceased to trade following a severe drop in trade and substantial losses. And Monument itself is seeking an urgent cash injection.

The company said that the company's trading experience since the U.S. recession, there has been a big cutback in the purchase of capital equipment and in the last 15 months the company's sales fell by over 50 per cent compared with the previous year.

The proceeds of the business are to be distributed to the creditors but the amount of this will depend on what prices the stock realises when it is sold.

Monument does not anticipate that there will be any material surplus available to the parent company and a provision of £158,000 has been made which represents the total investment and sums due from the U.S. company.

Monument, which showed a loss of £38,138 in 1978-79, said that the group's bankers (The Royal Bank of Scotland and Barclays) are prepared to continue their support but the group is pursuing various alternatives with regard to the refinancing of the group on a more permanent basis.

The company said yesterday that it was actively looking for a substantial cash injection which could involve the dilution of existing shareholdings. "Unless we get an injection of cash we could not carry on much longer," said a spokesman.

He said that the company had a number of meetings with its bankers who had declared their support for the time being, but they wanted to see a swift conclusion to the talks with the various parties involved. This was expected in a month or so.

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director of the Milford Docks Company at a board meeting yesterday.

On Thursday, shareholders are to vote on the election of directors following an adjourned annual meeting at which a ginger group attempted to have their group representatives elected to the board.

The ginger group is still seeking election at Thursday's meeting in spite of opposition from the existing board underlined by yesterday's appointment.

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INVESTMENT TRUSTS

Globe Trust expects to pay not less than 7.25p

THE DIRECTORS of Globe Investment Trust, the largest investment trust in the UK, are confident that the total dividend for the current year will be no less than the 7.25p paid for 1979-80.

The dividend, up from 5.6p, followed record results for the year to March 31, with pre-tax earnings rising from £16.62m to £20.93m and basic earnings per share unit stated as 7.935p (1979-80).

In his annual report as governor, Mr. E. D. G. Davies says the trust remains committed to a gradual increase in overseas investments, but it is more likely that the prospect of above average performance can be offered by concentration into more specific areas and situations. "A careful policy along these lines now forms part of our objectives," Mr. Davies says. In pursuit of this policy, the acquisition of West of England Trust was completed during February. This investment increases funds under management by some 50 per cent as well as giving a direct involvement in a provision of a wide range of services in the financial sector.

Other major subsidiaries of the trust include Tyndall Group, and Sons, the Electra Group and Rothsay Trust.

Mr. Davies says it is still not possible to remit their revenue or capital to the UK. While the investment ends at the original cost of £1.65m, net asset value attributable to Globe at March 31, 1980 is £240.48m.

The value of the 83 largest investments is £120.69m, and presents 39.67 per cent of the

value of the portfolio of the group as at March 31, 1980, included in the list are investments of Electra Investment Trust in which the company has a 74.44 per cent interest.

The group also held various securities of London and Scottish Marine Oil Company with a market value of £5.89m, various securities of the Oppenheimer group at the directors' valuation of £4.92m, various securities of Hume Corporation at the directors' valuation of £1.13m and Government securities with a market value of £5.89m.

A subsidiary company also held £4.86m nominal 11 per cent convertible unsecured loan stock 1890-95 of Globe Investment Trust with a market value of £5.3m. This latter holding resulted from the acquisition by Globe Investment Trust of the subsidiary company's holding of shares in The West of England Trust and has subsequently been sold.

The group's balance sheet shows investments at valuation at March 31, 1980 as £304.23m (£234.09m) and net assets of £258.73m (£233.59m) with net asset value per 25p stock unit of 159.1p (183.1p).

Stockholders' funds stood at £258.73m (£233.59m) with reserves of £218.14m (£245.04m).

Meeting, Electra House, Temple Place, September 16, at 12.30 pm.

Meldrum

Revenue of Meldrum Investment Trust, a subsidiary of British and Commonwealth Shipping, declined from £1.1m in 1979 to £0.9m in 1980, after tax of £0.7m.

Meeting, Chartered Accountants' Hall, EC, August 19, noon.

Midterm fall at Habit Precision

Affected by the lingering effect of the engineering strike and general fall off in demand, taxable profits of Habit Precision Engineering declined from £40,000 in 1979 to £10,000 in 1980.

However, the directors say a second half improvement is hoped for.

They report that the acquisition of Technicraft (Hayes) has been completed and this subsidiary should provide a useful contribution to profits. Overheads have been reduced throughout the group, and the sales force increased.

During the first half turnover advanced from £784,000 to £816,000. Profits were struck

after higher interest of £31,000 (£25,000). Tax took £10,000 (£22,000) and earnings per 5p share are shown to have fallen from 0.63p to 0.27p.

The net interim dividend of this precision cutting tool manufacturer is held at 0.25p. Last year's total payment was 1.1p from profits of £4,000, which were after crediting £4,000 profit on sale of investments.

Better second half for Wm. Sommerville

Against a decline from £180,000 to £178,000 of mid-year earnings, a poor second half, taxable profits of William Sommerville and Son, paper maker, have recovered to finish the year to May 31, 1980, slightly higher at £209,558, compared with £208,745.

An increased final dividend of 3.85p (3.45p) makes a total of 4.5p, against last year's 6.04p, which included a special payment of 2p.

Earnings, after tax of £162,977 (£163,300), are shown as 22.51p (23.02p). Turnover for the year was £5.95m (£5.6m).

44 companies wound up

COMPULSORY winding up orders against 44 companies were made by Mr. Justice Vinelott in the High Court. They were:

G. Entertainment (formerly Geoffrey Whiship), B. Guy, Gunder (Marine), Black Grey and Black, B.C.H. Building Contractors, Sargade, Ruffhead, Alro Club Sales, Sperring General Engineering (Wales), Wictrom, Jamaz.

Pyedean, Harwell Instruments, R. F. Freeman, The Gaddi Organisation, Matscene, Valway Motors.

Society Cleaners (Major), Overseas Freight Services, Chumway, A. B. Morris (Voc-shire), Readmount, C and K Contractors (Sheffield).

Brownlow Glass, Buckland Builders, Heroncliff, Major Roofing Company, Melbourne Fibreglass Works, Andev.

Penklu, Southminster Securities, Second City Print, Attentage, Surgelynn, Peblington, Zainab Fashions, D.B.R. Investments, Sonnyplaster, R.E.P.P. International Publications (UK).

Busstegen and Sons (Builders), Francis (Clocks), Winner Boats (Europe), Playboy Boutique.

HIGHLAND DISTILLERIES

The Monopolies Commission report on the proposed takeover of Highland Distilleries by Hiram Walker-Gooderham and Worts should be published on August 5 at 4.30 pm.

Temple Bar earns and pays more at midway

Attributable earnings of the Temple Bar Investment Trust, an Electra House Company, came out ahead at £1.02m for the first half of 1980, compared with £855,000, a 22.5 per cent increase.

The interim dividend is lifted to 2.5p (2.25p) net per 25p share, costing £708,000 (£538,000), and directors forecast a final of not less than 5p—last year there was a final of 4.982p and a special payment of 0.368p paid from attributable earnings of £2.1m.

Gross revenue for the six months amounted to £1.67m against £1.4m, and the attributable balance was struck after tax of £510,000 (£437,000), and preference dividends of £22,000.

The directors state that the increase in earnings should not be taken to imply a similar rise for the full year.

Net asset value per share is given as 137.7p as at June 30, compared with 130.1p at December 31, 1979, and 136.1p (1979) allowing for full conversion of loan stock.

Provincial Cities

After tax of £46,646 against £50,452, income of the Provincial Cities Trust, came out lower at £101,741 for the year ended May 31, 1980, compared with £116,579.

Earnings per 25p share are down from 2.41p to 2.1p but the dividend is lifted to 2p (1.78p) net with a final payment of 1.29p.

Gross revenue for the period was £32,251 down at £177,671.

Disappointing debut for Marinex

Marinex Petroleum, the onshore oil exploration company with a 14 per cent stake in the Humberly Grove field, made a rather disappointing debut yesterday when trading began under Rule 163(B). Although the shares were oversubscribed when offered to investors at 160p, they started trading 20p lower before recovering slightly to close at 148p.

The Marinex performance was not an isolated case however, as a number of secondary oil companies watched their shares fall off under the impact of market concerns that the North Sea shares boom had been overdone.

Resignation at Imperial Foods

Imperial Foods, a subsidiary of Imperial Group, said a difference of opinion over the future policy on the poultry side had led to the proposed resignation of Mr. William Wiley from its board.

No date was given for the resignation, also described as stemming from a disagreement over the reorganisation of Ross Buxted Nitrovit, which controls the UK poultry interests of Imperial Foods.

Mr. Wiley, who is not on the main Imperial Group board, is also stepping down from the chairmanship of the poultry subsidiaries, recently suffering from difficult trading conditions. Mr. Terence Sharman will become head of Buxted Poultry—he is also chairman of Golden Wonder and Smedley-HP Foods—with Mr. Eric Waller taking responsibility for the other UK poultry interests for the time being.

£0.23m profit by Amsteel

In its first full trading year, to March 31, 1980, the Amsteel Group reports pre-tax profits of £226,000 from turnover of £7.38m. The group is one of the larger fabricators of steelwork.

Operating subsidiaries of the group, formed in December 1978, are Graham Wood Structural of Lancing, Sussex and Broadwell Buildings of Brierly Hill. Shareholders include Amsteel, senior executives and Scottish Northern Investment Trust, Railway Pension Investments, Scottish American Investment Company, Scottish National Trust, Company, Glasgow Stockholders Trust and Dalscot.

THORN EMI Ltd.

"The major event in the year under review was the merger with EMI, which will enhance the earning capacity of the company during the 1980s to the benefit of all shareholders."

The following are further extracts from the annual statement to shareholders made by the Chairman, Sir Richard Cave, and from the accounts to 31st March, 1980, copies of which will be posted to shareholders mid-August.

The main aims of the enlarged company, now called THORN EMI Ltd., are: to play a leading role in meeting the requirements of the widening and expanding home entertainment industry; to have a strong engineering group with interests in high technology, electronics, defence and other special areas of interest; to support our established mature businesses and to increase our influence in international markets.

The Year's Results

Results of the Thorn operations in the first half of the financial year were badly affected by the engineering industries dispute, but showed some improvement in the second half being ahead of those of the same period in the previous year. EMI operations recorded a profit before interest for the four months following the merger, despite continued losses on medical electronics operations.

Financial Matters

Our plans anticipate substantial investment in the coming years which will be needed to provide colour television receivers and home video equipment for rental and establish the facilities required for the manufacture of video products, ensure that the

accompanying software is available, and add to our strength in our other main strategic businesses. It will be three or four years before we see the real benefits of this heavy investment programme. However, the strong cash flow from our existing operations should continue and in the meantime with the action being taken in respect of certain operations not central to our main strategy the gearing of borrowings should be held at about its present level.

The Outlook for the Future

If I were to restrict my thinking to the outlook for the next months it would be difficult to be anything but pessimistic. The current short term economic outlook for the UK is far from satisfactory with falling investment and a low level of consumer demand. However, the Board of a major company such as THORN EMI must always be prepared to meet short term difficulties and to have confidence in its medium to long term strategies.

There is much to be done in meeting our objectives now that the two companies have been successfully merged, but I am confident that we have the management in depth, the will and the spirit amongst all employees to achieve them.

Summary of Results	1980	1979
including EMI for 4 months	£m	£m
External turnover	1,620.9	1,208.1
Profit before taxation	125.5	118.1
Cash flow from operations	230.7	186.4
Capital expenditure	205.6	137.5
Earnings per Ordinary Share before extraordinary item	57.6p	55.1p
Dividends per Ordinary Share	14.625p	13.0p

THORN EMI is a major international company with world-wide interests.

THORN EMI businesses embrace home entertainment—consumer electronics, television rental and music—electronic and general engineering, lighting, domestic appliances, entertainment and leisure.

THORN EMI employs around 125,000 people—one in five outside the United Kingdom—operates directly in nearly 40 countries and exports to more than 140.

Contribution of Product Groups to Group turnover and profit.

	1980	1980	1979	1979
Turnover	Profit	Turnover	Profit	
£m	£m	£m	£m	
UK companies including exports				
Consumer electronics	447.8	66.9	381.0	65.6
Domestic appliances	380.3	21.0	331.5	19.6
Lighting	173.1	10.6	157.3	10.4
Engineering	217.6	13.7	204.2	12.8
EMI (4 months only)	124.2	2.6	—	—
	1,342.0	114.8	1,074.0	108.4

Overseas companies

	1980	1980	1979	1979
Turnover	Profit	Turnover	Profit	
£m	£m	£m	£m	
Consumer electronics	59.4	6.3	64.7	7.0
Domestic appliances	42.8	1.1	41.8	1.5
Lighting	112.6	2.6	103.1	3.6
Engineering	67.0	5.7	40.7	1.6
EMI (4 months only)	154.3	8.0	—	—
	436.1	23.7	250.3	13.7
Group totals	*1,778.1	138.5	*1,324.3	122.1

Deduct: interest (1980 including EMI 4 months only £6.2m)

Group profit before taxation

*Includes transactions between divisions

THORN EMI Ltd., Thorn House, Upper Saint Martin's Lane, London WC2H 9ED

Britannic Assurance

COMPANY LIMITED

HALF-YEARLY STATEMENT

The premium income and new business figures for the half-year ended 30th June 1980 were as follows (the figures for the six months to 30th June 1979 are shown in brackets):

Premium Income	£	£
Ordinary Branch		
Annual premiums	9,253,000	(7,688,000)
Single premiums and annuity consideration	88,000	(97,000)
Industrial Branch	34,147,000*	(26,204,000)*
General Branch	6,042,000	(4,499,000)
New Business Figures		
Ordinary Branch		
Renewal premiums per annum	2,544,000	(1,764,000)
Sums Assured	84,146,000	(62,877,000)
Annuities per annum	460,000	(401,000)
Industrial Branch		
Renewal premiums per annum	11,320,000	(8,743,000)
Sums Assured	147,393,000	(113,214,000)

* These figures are not strictly comparable due to the changed system for life assurance tax relief.

UK COMPANY NEWS

BIDS AND DEALS

Higgs still refuses to allow independent report

BICC, the electrical and engineering group, has pledged itself to bid for contractors Higgs and Hill provided that an independent audit of work in progress and net tangible assets is "satisfactory".

But Higgs' board continues to refuse BICC's demand to let independent accountants investigate its contracts.

Mr. E. W. Phillips, Higgs' chairman, says BICC's pre-condition of bidding "doesn't become the stature of the company."

The request is "unreasonable" because it would take "three months or more" for new accountants to look at the group's nearly £500m of work in progress and in any case the figures have already been given a clean audit certificate.

Meanwhile, he said such an investigation could have an "irreparable adverse effect" on the company with potential clients, suppliers and sub-contractors who might fear, erroneously, that "something was wrong with Higgs."

If BICC wanted to be more sure of its ground in making a bid it should wait until Higgs' interim profit figures are released in September, Mr. Phillips said.

BICC's demands for more information than is supplied to shareholders would be against their interests.

He was also concerned at the fact that the company's share price had fallen since the start of the month, when the sharp rise in its shares had prompted Alleghehy to make its contemplated full offer known, that a further announcement would be made near the end of July.

possible outcome of an independent audit. New accountants would find it difficult to get to grips with the huge contracts involved and would bend over backwards to be cautious.

BICC retorted that it was prepared to be flexible. It would not expect an independent examination to produce precisely the same figures as in the audited accounts. If they were not materially different, however, it would not quibble and even if they were much lower it might still go ahead with a bid "albeit at a lower price."

BICC also stressed that it was not asking for access to sensitive accounting information or accounting records. It simply believed that commercial prudence required it to confirm independently the large proportion of a contractor's assets which are tied up in long-term contracts.

EOI STILL IN TALKS

English and Overseas Investments, whose activities cover fine art publishing, bulk storage equipment and property, said talks are still going on about possible offers for the company.

Earlier this month, the company asked for its shares to be suspended after approaches from two parties. It also reported a drop in pre-tax profits

from £549,000 to £436,000 for the financial year to March 31, 1980.

At the suspension price of 14p, English and Overseas is valued in the market at nearly £15m. Their highest level this year was 25p.

The purchase price is \$4m and the acquisition has been financed by an offshore loan.

The acquisition gives Metal Box South Africa a market for the technical expertise and machinery used at its Walvis Bay fish factory on the Namibian coast. This factory was closed recently as a result of the sharp drop in the local fish catch.

Metal Box has agreed to supply technology and machinery to FESA, which is expanding its fish can manufacturing operations. Two factories built by the company are scheduled to come on stream early next year.

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UC Investments boosts its interim payment

BY KENNETH MARSTON, MINING EDITOR

MORE than doubled half-yearly profits coupled with a boosted interim dividend for 1980 are announced by South Africa's UC Investments, the General Mining Union Corporation group's gold and platinum investment company.

The interim dividend is lifted to 45 cents (24.7p) from only 17 cents for 1979 when there was a subsequent final of 43 cents.

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MINING NEWS

Hamersley's new ore contracts

Earlier this month, however, all production came to a standstill and, according to the management, there is no indication of the possible duration of the strike.

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Gallaher jumps £20m at midway

WITH AN increase in the second quarter from £7.1m to £14m lifting the domestic tobacco division profits to £35.7m against £19.6m, pre-tax profits of Gallaher, a subsidiary of American Brands of the U.S., jumped to £29.3m for the first six months of 1980, compared with £28.6m.

However, Mr. S. G. Cameron, chairman, says that profits are likely to be at a lower level reflecting rising costs, particularly on the domestic tobacco side, and the general pressures currently on the industry.

Group sales, excluding VAT, for the six months totalled £391.1m (£780.3m), and out of £390.9m (£781.8m) attributable to domestic tobacco, £285.7m (£571.4m) came in the second three months.

Profit for the whole of 1979 was £63.2m from sales of £1.62bn.

The chairman explains that second quarter results of the domestic tobacco side benefited from the price increases earlier in the year, and profits of the other operating areas showed some increase.

In February Western Australian iron ore prices were raised by around 20 per cent and the prices which will apply under Hamersley's extended contracts are 23.1 cents (U.S.) per unit of iron content for Australia's crushed ore and 31.7 cents for lump ore.

These are two of four contracts concluded with Hamersley and provide for annual shipments of 5.64m tonnes out of the total of 23m tonnes covered by the four deals; the other two deals are valid until 1985. Last year Hamersley shipped a total of 30.1m tonnes of ore to its various customers.

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WOLF ELEC. PROFIT DOWN AT MIDWAY

AS EXPECTED, sales of Wolf Electric Tools (Hawthorne) have been maintained in the first half of 1980 but pre-tax profits are materially below those of last year. From sales of £3.3m, profits were £779,500 compared with £1,080m.

The first half details are contained in the formal offer document regarding the agreed bid from Dobson Park Industries.

The directors of Wolf with certain members of their families have irrevocably undertaken to accept the offer in respect of total holdings of 25.5 per cent of the ordinary.

The Wolf directors state that UK inflation and high value of sterling has affected the overseas subsidiaries most severely and their profitability. In all cases has been seriously eroded.

While no marked return in trading conditions is expected, the board is reasonably confident of matching output with sales.

The overseas subsidiaries are expected to make a profit at least of the first half of 1980.

The directors are putting effort in to achieving the best possible results in the present circumstances and believe the group will be well placed to take full advantage of any respite in more normal trading conditions.

KENNEDY BROOKES ACQUISITION

Kennedy Brookes has added to its chain of London and Oxford restaurants with the acquisition for £75,000 of the lease of 32,34 Wellington Street, London, W.C1 from Cleverleys.

The 30-year lease has 18 years to run, at a commencing rental of £11,000 per annum subject to a rent review in 1981 and every five years thereafter.

The lease will be satisfied by the vendor placing of 95,463 shares at 75p, representing 10.9 per cent of the enlarged capital.

TARMAC VENTURE

General Surety Holdings (part of the Swiss Re Group of Zurich) and Tarmac Industrial Holdings have formed a joint company to co-operate in business opportunities of mutual interest.

The joint company is named W.M. Investments and its first venture has been acquiring the capital of the Maitland Selwyn Group of Wolverhampton. Activities of Maitland include estate agency and the associated provision of financial services, mortgage broking and property investment.

With an increase in the second quarter from £7.1m to £14m lifting the domestic tobacco division profits to £35.7m against £19.6m, pre-tax profits of Gallaher, a subsidiary of American Brands of the U.S., jumped to £29.3m for the first six months of 1980, compared with £28.6m.

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Wilkinson Match suspension

Shares of Wilkinson Match were suspended yesterday, as Alleghehy, a Pittsburgh-based steel products company which took its stake in Wilkinson over two years ago in a controversial deal, said it planned to keep the existing management and style of operation.

The Stock Exchange is still looking into the sharp rise in Wilkinson shares before the Alleghehy bid statement to see if there was any dealing by insiders in an activity now illegal under the new Companies Act.

At the 160p suspension price, 8p below the level of the U.S. put the finishing touches to its proposed £27m offer for the near 56 per cent of the UK razor and match company which it does not already own.

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Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

Texas Instruments and Wang show increased earnings

BY DAVID LASCELLES, IN NEW YORK

MORE U.S. electronics companies have reported increased profits.

Texas Instruments, the large Dallas-based maker of semiconductors, reported a 24 per cent gain in earnings in the second quarter, from \$44.6m to \$55.1m, or \$1.95 per share, up from \$1.40. Sales were up from \$74.2m to \$101.1m, the first time the company has pierced the \$1bn quarter sales level.

Six-month profits were \$405.5m, or \$4.60, a share, ahead of \$33.6m, or \$3.60, a share, with sales rising from \$1.5bn to \$1.98bn.

Mr. Mark Shepherd, the chairman, and Mr. Fred Bucy, the president, attributed the rise to the improved performance of semiconductor operations and geophysical exploration services, despite the weakness caused by declining car sales and housing starts which hit TI's metallurgical, motor trim and electrical controls business.

It also benefited from large

Government orders and the strength of minerals exploration through its involvement in the seismic equipment business.

However, TI noted early signs of the long-anticipated slowdown in semiconductor sales, largely because of over-supply. It also said that because of the economic recession in the U.S., Europe and Japan, "the overall economic environment for the second half remains uncertain."

Another fast-growing computer company, Wang Laboratories, said net income rose from \$12.2m, or 50 cents a share, to \$22.1m, or \$1.00, an increase of 65 per cent. Revenue rose from \$108.5m to \$155.7m. This brought Wang's earnings for its full fiscal year to \$52.1m, or \$2.40 a share, up from \$28.6m or \$1.17 a share, on revenue of \$543.3m, up from \$321.6m.

Wang is a Massachusetts-based maker of small computers and word processing equipment. It is one of the fast-growing companies in its field and now ranks approximately number two.

Slowdown in growth at Amerada Hess

By Our Financial Staff

THE PRESSURES on the petroleum industry are reflected in a significant reduction in sales and profits in the second quarter at Amerada Hess. The company has refineries mainly concentrated in the Virgin Islands and sells heating oils and petrols on the eastern seaboard of North America.

Earnings growth in the second quarter has slowed to 8 per cent, at \$140.4m, or \$3.35 against \$3.12 a share. Sales are 6 per cent higher at \$1.7bn.

Despite the check to growth in the second quarter, earnings for the first half still show a 22 per cent gain at \$339.5m, with share earnings at \$3.09 against \$2.55.

In 1979, Amerada returned share earnings of \$12.15 after a 44 per cent gain in sales and wider profit margins which followed increased deliveries from new gas offshore production, and higher volume and selling prices for North Sea gas and oil.

The six-month sales and profit totals include a non-recurring gain of about \$18.6m or 44 cents a share from the sale of the 161 per cent stake in Roush gas field in the North Sea to British Gas Corporation. The 1979 totals are restated to comply with FASB ruling on oil and gas companies.

Oil and gas production is concentrated in the U.S. and Canada, Abu Dhabi, Libya and the UK North Sea. Sales of petroleum products outside the U.S. represented only 15 per cent of the 1978 total, but some 43 per cent of profits came from such sources.

The company has estimated capital expenditure for this year at around \$700m, against \$655m last year and \$335m in 1978. Last year the quarterly dividend was increased to 14 per cent.

U.S. SECOND QUARTER RESULTS

Manufacturers take the strain

THE PAST half-year has not been a happy time for corporate America. The onset of world recession, which was triggered in part by the U.S. Government in response to the latest round of oil price rises, involved increases in short term U.S. interest rates to record levels.

Plant closures, labour cutbacks and even dividend reductions have been announced by major U.S. companies once thought immune to such dramas. And now, with company reports for the second quarter flowing in, the extent of the damage is beginning to show up in the profit and loss accounts.

Some major sections of the U.S. business world have yet to report on the quarter—notably the retail stores. But a pattern is already becoming clear. The boardroom statements probably contain as many references to the havoc wrought by the 20 per cent peak interest rates registered in mid-April as to the fall in sales of both industrial and consumer goods.

The swift downturn in prime rates, which has yet to show up in its effects on corporate profits, could therefore change the picture at the end of the third quarter.

But for the present it is clear that some sectors, such as the car, steel and airline industries, have suffered most from the effects of the oil price hikes, while others, in particular the housebuilders, have been hurt by the effects of interest rates. And of course there are those unfortunate like the mobile home or pleasure boat manufacturers who have been hit by both.

The mass of company results contains two jokers—the banks and financial services companies and the oil companies—who have all benefited in their

different ways from some of the factors which upset the rest of the business world.

The strong rise in U.S. interest rates, followed by a swift fall, has brought a surge in profits at the major banks based in the financial centres. Results for the second quarter have tended to bear out expectations of substantial profit gains as banks' cost of funds declined over a period when the reduction in lending charges to customers was at a slower rate.

Gains in earnings at the major banks ranged from 16 per

cent at Bank of America to 28 per cent at Chase Manhattan and an awe-inspiring 45 per cent at J. P. Morgan.

The investment bankers and the stock market brokerage firms chalked up heavy gains over the quarterly period which included a boom in the corporate bond market as well as a healthy equity market. The activity in bonds brought a flow of management and advisory fees. First Boston commented that securities trading, particularly in the fixed income market, had brought record revenues. Merrill Lynch, the largest securities trader, increased its dividend on the back of virtually doubled profits and E. F. Hutton, helped additionally by its commodity and investment banking divisions,

pushing profits ahead again.

Oil company profits have shown signs of moderation in the second quarter, a matter, no doubt, of some relief.

Exxon recorded a 24 per cent gain, compared with an embarrassing 102 per cent in the first quarter. Standard Oil of Ohio is 53 per cent ahead in the second quarter after being 169 per cent up in the first. The slowdown in profit rises reflects the change in the value of the dollar since last year, and its effects on the repatriation of the oil companies' foreign earnings.

The housebuilding area has been a noticeably unfortunate business area as housing starts slumped throughout the first five months of the year. Georgia-Pacific and Crown Zellerbach, two major timber companies which depend heavily on housebuilding, recorded profit falls of 42 per cent and 35 per cent respectively in the second quarter.

Owens-Corning Fibreglas, which sells to the housing industry and to the pleasure boat industry—another casualty area—suffered a sharp fall inside the U.S. and began to see its international business falling off also. The company has also suffered from its involvement with the car industry as has Continental Group which sells metal containers.

However, not all consumer areas are depressed. Americans are clearly not cutting down on smoking, drinking or make-up. Philip Morris, maker of Marlboro and many other leading cigarette brands, has increased its 46th consecutive quarterly increase in earnings, and sales are up at two key subsidiaries, Miller Brewing and Seven-Up. R. J. Reynolds, the largest cigarette maker in the U.S., has also pushed earnings higher. Chesbrough-Pond's, which sells takeaway food as well as toiletries and cosmetics, is 18 per cent ahead.

Meanwhile, the car industry and the steel industry continue to report bad news. But profit figures from the stores may prove less significant than what they have to say about current trading. On the brighter side, there is the hope that the swift fall in interest rates may have cleared the decks for a revival of sales in consumer durables and motor cars.

The latest round in oil price rises followed by higher U.S. interest hit second quarter corporate earnings in the U.S. on a broad scale. TERRY BYLAND looks at how various sectors of industry fared and assesses prospects for the rest of the year

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Brascan builds up investments in six major U.S. companies

BY OUR FINANCIAL STAFF

BRASCAN, THE Toronto-based holding group, has spent at least \$370m (US\$60.8m) over the past six months to establish "investment positions" in six major U.S. food packaging and consumer products companies, Mr. J. Trevor Eytton, the president and chief executive, has revealed.

Mr. Eytton declined to identify the companies. He said, however, that two of the acquisitions amounted to around 4 per cent of the stock outstanding.

While describing the new holdings as being "simply for investment purposes," Mr. Eytton said: "We are trying to do a deal on a friendly basis which would be seen as beneficial to all including the management and shareholders."

He added that Brascan was prepared to take minority positions and "play by the rules." It had no immediate plans to approach any of the six companies concerned to discuss increasing its holdings.

Mr. Eytton conceded that one of the companies had already contacted Brascan. "They indicated to us they wished to remain independent and did not want to have a dominant shareholder," he said. "We told them we had an investment position."

"We are anxious that when we proceed it will be in a constructive and positive way, and on a friendly basis if we can," Mr. Eytton's remarks followed several months of intense speculation about Brascan's investment intentions in the U.S. He told the company's annual meeting in May that Brascan had around \$1bn on hand for investment.

Mr. Eytton said yesterday: "I had rather we moved a little more quickly." The onset of the recession in the U.S. had delayed the company's plans.

Brascan had focused on food packaging and consumer products partly because its experience with its 33 per cent owned affiliate, John Labatt, suggested that it "made sense for us to try to heavy up" in the industry and partly because analysis had showed that most of these companies had proven records of consistently increasing earnings and cash flow.

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Sharp gain for Texaco

By Our Financial Staff

A 50 PER CENT increase in second-quarter profits, from last year's \$33.5m to \$50.2m, or \$1.87 a share for Texaco, the leading U.S. oil group.

This brings net income for the first half of 1980 to \$1.1bn or \$4.08 a share, an increase of 72 per cent on the \$462.1m, or \$1.72 a share for the same period last year.

The latest figures exclude an extraordinary credit of \$402m or \$1.48 a share, arising from the sale of the company's interest in Belridge Oil Company in the first quarter of 1980.

Revenues for the second quarter amounted to about \$12.5bn in 1980, compared with \$8.5bn in 1979. For the first six months of 1980 (exclusive of the effect of the Belridge sale), revenues were approximately \$25.8bn, compared with \$16.8bn for the same period last year.

On a geographical basis, net income attributable to operations in the U.S. for the first six months of 1980, exclusive of the effect of the Belridge sale, was approximately \$471.7m, or 43 per cent of worldwide net income, compared with \$313.3m, or 49 per cent, for the first half of 1979.

Earnings from U.S. operations for the first half of 1980 showed improvement in production and exploration results as well as in the downstream manufacturing, marketing, and supply operations.

Net losses from foreign currency translation in the amount of \$60.4m were included in net income.

Higher profits are reported by Murphy Oil, medium-sized integrated oil company which has a controlling interest in Ocean Drilling and Exploration, operator of the world's largest fleet of offshore drilling rigs.

Net earnings totalled \$35.6m or 95 cents a share for the second quarter, compared with \$21.9m or 59 cents a share. This lifted half-year profits from \$36.9m at 99 cents a share in 1979 to \$64m or \$1.71 a share.

Revenues were \$454.8m in the second quarter this year, against \$363.2m in 1979. Half-year sales totalled \$1.02bn against \$726.8m previously.

Mobil Oil, which ranks third in world petroleum product sales and fifth in U.S. domestic refining capacity, is boosting its exploration and production budget commitments by \$744m this year, pushing the total to \$2.84bn.

Rowan share sale to lift Armco

BY OUR FINANCIAL STAFF

EARNINGS AT Armco this year could exceed those of 1979 if funds from the proposed sale of Rowan preferred stock are included, said Mr. Harry Holliday, chief executive officer.

The steel producer said last week that it planned to sell its 1.9m preferred shares of Rowan. Based on the current trading price of \$35 each the sale would bring Armco \$66m.

SECOND QUARTER earnings of MacMillan Bloedel, Canada's largest forest products company, tumbled 24.5 per cent from \$1.1m to \$830,000, corresponding to \$24.9m or \$2.28 a share to \$18.7m or \$1.71 a share.

This eliminated the first quarter improvement in profits, lowering the half-year total by 9 per cent, from \$590.5m or \$5.13 a share to \$539.3m or \$4.73 a share.

Year-to-date sales were 12.4 per cent higher at \$31.27bn.

Meanwhile, the group said yesterday that construction on a US\$274m expansion of its forest products manufacturing complex at Pine Hill, Alabama, will start early next year.

The expansion will include a new mill to produce 190,000 tonnes a year of corrugating medium as well as machine changes which will increase existing linerboard production capacity by 50,000 tonnes a year.

U.S. Pru fights ban

By Our Financial Staff

THE LABOR Department announced that Prudential Insurance of America, which has been barred from doing business from the Federal Government, attempted to impose on the Government unacceptable conditions before it would release data on employees.

The Department said the company has over \$130m in premium business with Government agencies, making it the largest Federal contractor barred from Government business.

In response to the Labor Department's action, Prudential Insurance said it "plans immediately to seek a preliminary injunction in Federal Court to prevent the Labor Department from withholding contracts pending the final resolution in the courts."

Fed funds rattle bond dealers

BY FRANCIS GHILES

DOLLAR BOND PRICES drifted lower by about a point yesterday following a rise in U.S. Federal Funds rates which spilled over into the Eurodollar market pushing the three month interest rate up from 9 1/4 per cent on the close last Friday to 9 1/2 per cent yesterday evening.

Because of the large amount of fixed interest dollar paper issued during the past six weeks, much of which remains unsold, any whiff of a rise in interest rates makes dealers nervous.

The profit margin of financing bond holders with short-term borrowing will be narrowed if money market rates rise further.

Some issues fell more heavily than most: the 1 1/4 per cent bond to 1988 for Republic Steel shed

a full point on the day to finish at \$21.93. A 15-year convertible was launched for Incheape (Bermuda) through Baring Brothers. The borrower is paying a coupon of 3 per cent and the conversion premium is not expected to be above 10 per cent. The bonds are guaranteed by the parent company.

The first "Yen linked" U.S. dollar convertible amounting to \$200m for Tokyo Sanyo Electric is being arranged through Kuwait International Investment Company and Daiwa Europe. The maturity of this convertible is 10 years. The coupon, conversion terms and current exchange rate will be determined on July 29.

Although the face value of

The bond is expressed in U.S. dollars, and though interest and principal will be paid in U.S. dollars, the amount of interest, and principal will change with movements of the Yen from the initial Yen dollar exchange rate. Investment in the bond will thus, in effect, be Yen denominated.

In the hard currency sectors, prices of Swiss franc and Deutsche Mark foreign bonds rose by about 1/4 of a point on the day.

In the French Franc sector a FrFr 120m seven year issue was launched for Aéroports de Paris through Credit Commercial de France. The borrower is paying a coupon of 18 1/4 per cent.

News of the IRI deal prompted some "Euromarket bankers" to suggest that a 1 per cent element in the margins for top-rated Italian borrowers has now become possible, though this particular deal has a relatively limited attraction both because of the rather long maturity and low front-end fee, believed to be 1 per cent.

That credit bears a split margin of 1 1/4. Lead managers National Westminster and Banco di Santo Spirito of Luxembourg, achieved a market sell down of some 58 per cent.

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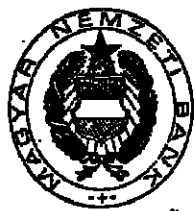
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FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published in the second Monday of each month.

IS. DOLLAR	Issued	Bid	Offer	Day	Week	Yield
RAIAGS	100	99 1/2	100	0	0	12.22
Gen. Fin. 10.50	100					

All these securities having been sold,
this announcement appears as a matter of record only.



National Bank of Hungary

(Magyar Nemzeti Bank)

US\$50,000,000
Floating Rate Notes due 1985

Kuwait International Investment Co. s.a.k. American Express Bank International Group

Alahli Bank of Kuwait (K.S.C.) Al Bahrain Arab African Bank (EC)

European Arab Bank (Middle East) EC, Bahrain The Gulf Bank K.S.C.

Gulf Riyad Bank E.C. The Industrial Bank of Kuwait, K.S.C.

Algemene Bank Nederland NV Arab African International Bank - Cairo

Burgan Bank S.A.K. - Kuwait Credit and Finance Corporation Limited

Kuwait Financial Centre S.A.K.

Agent

American Express International Banking Corporation

June, 1980

All these securities have been sold. This announcement appears as a matter of record only.

July 21, 1980

\$400,000,000

The Dow Chemical Company

11.25% Debentures Due July 15, 2010

Smith Barney, Harris Upham & Co.

The First Boston Corporation Goldman, Sachs & Co. Merrill Lynch White Weld Capital Markets Group

Salomon Brothers Bache Halsey Stuart Shields Bear, Stearns & Co. Blyth Eastman Paine Webber

Dillon, Read & Co. Inc. Donaldson, Lufkin & Jenrette Drexel Burnham Lambert

E. F. Hutton & Company Inc. Kidder, Peabody & Co. Lazard Frères & Co.

Lehman Brothers Kuhn Loeb L. F. Rothschild, Unterberg, Towbin Shearson Loeb Rhoades Inc.

Warburg Paribas Becker Wertheim & Co., Inc. Dean Witter Reynolds Inc.

Atlantic Capital ABD Securities Corporation Basle Securities Corporation

EuroPartners Securities Corporation Robert Fleming Kleinwort, Benson

New Court Securities Corporation Ultrafin International Corporation

Amsterdam-Rotterdam Bank N.V. European Banking Company Norddeutsche Landesbank

Companies and Markets INTL. COMPANIES & FINANCE

RATING EUROBONDS

Slow response to Moody's initiative

BY FRANCIS GHILES

EIGHTEEN MONTHS ago, one of the two leading U.S. credit rating agencies, Moody's, decided, on its own initiative, to assign ratings on U.S. corporate Eurobonds, without seeking clearance from the borrower or the managing banks. In turn, no fee was charged for these ratings, contrary to normal practice.

Moody's initiative was a bold attempt to create a new market for rating by extending what has been an essentially U.S. practice into a market which has no such tradition. Rating public bond issues is a way of life in the U.S. and the two leading U.S. rating agencies, Moody's and Standard and Poor's, rate all public U.S. bond issues.

The first Eurobond Moody's rated without charge was an issue launched in February 1979 for Sears Overseas Finance. However, Moody's enthusiasm for free rating has cooled notably since and only a handful of new Eurobond issues have been rated, implying that the idea has not gained rapid acceptance.

While a number of issue managers welcome the idea of rating all Eurobond issues, most agree that implementation is a long way off. Predictably, Moody's initiative did not meet with universal welcome, not least because of the great difference in the way investors in the U.S. and elsewhere appraise the worth of the borrowers whose paper they buy.

Moody's began rating U.S. bonds in 1907. The practice quickly spread north and Canadian bonds have been rated for several generations. But in sharp contrast, Moody's has ratings outstanding on only around 50 non-North American issuers, with a few other appraisals in progress.

At least six good reasons can be advanced to explain why the idea of rating Eurobonds has not caught on.

First, a number of regular borrowers stand to lose esteem by gaining a rating. They are treated by investors as prime names and they would risk being awarded less than triple A, traditionally the highest rating a borrower can achieve—were they to submit their case to the two rating agencies. Both corporate and sovereign borrowers find themselves in this situation.

Some sovereign borrowers are believed to have drawn back from requesting a rating because they know from unofficial approaches to the agencies that they would not achieve a triple A outcome.

Corporate borrowers in Europe, on the other hand, are still most unwilling to provide sufficient information to allow the rating agencies to assess their worth. Michelin is often quoted as a perfect example of the secretive European company, but many other corporate names this side of the Atlantic would be loath to open their books. Such companies already are able to raise funds on the finest terms, so they are disinclined to bother with a formal rating.

A third reason is that many borrowers who regularly arrange Eurobond issues already have a rating of sorts because, often in the recent past, they have gone to the New York market with a "Yankee" bond. In point of fact, U.S. ratings apply to a particular issue and not to a borrower, but many investors are not such purists.

Another reason why ratings are slow to catch on in the international market is the way the Eurobond market functions. Opportunities to buy arise at irregular intervals and during a few weeks, sometimes months, without much of an eye for quality. This happened in April and May this year when a few weeks all fixed interest dollar paper sold well, irrespective of the name.

Furthermore, the secondary market shows that investors are continually reassessing the creditworthiness of borrowers, whatever their outstanding rating in the U.S. may be. The yield levels at which Swedish and Finnish bonds trade today

bears this point out. Sweden is triple A rated by both agencies while Finland is triple A rated by one and only double A rated by the other. Yet bonds for Finnish borrowers trade at a slightly lower yield than those for Swedish ones, a complete turnaround from the position last year. This is a result of the deterioration of the Swedish economy and the very heavy borrowing of that country since 1978. Today, investors perceive it as a slightly less good risk.

"Ratings are historic," complains one senior bond dealer, who goes on to stress that this weakness is a serious one in a world where economic fortunes change quickly. When part of Ford Motor's bond debt was downgraded from triple A to double A last spring, the news came as no great surprise to international investors who had already drawn their own conclusions from the long list of headlines about the difficulties

in U.S. car manufacturing. On the positive side, a number of factors could help the agencies in their campaign to get ratings accepted this side of the Atlantic. The single most important event which could force borrowers into reappraising their attitude would be the abolition of U.S. withholding "tax," argues Ian Kerr, vice-president of Kidder Peabody Securities. "It would blur the difference between the New York and Eurobond markets and greatly increase the scope for arbitrage."

For the fund manager it is important that any rating system in the Eurobond market should properly reflect the potential problems affecting securities in that market. For instance, issues for Quebec, which are highly rated in the Yankee market, may well deserve a lower rating in the Eurobond market because the secondary market in such bonds can easily become illiquid.

South Africa is another issuer whose sound economic credentials might have to be downgraded in the Eurobond market for political reasons.

The main stumbling block for the acceptance of ratings in the Eurobond market is evidently the very disparate attitudes which investors of different nationalities may have to the same issue.

A German fund manager, for instance, could look at a Brazilian issue with very different eyes to those of a British fund manager.

Such regional differences are compounded by rapid changes in the acceptability of specific Eurobonds to international investors. These marked variations of time and place make the Eurobond market both interesting and aggravating, but they make the design of a qualitative strait-jacket very difficult.

Peak earnings from Telefonbau

BY KEVIN DONE IN FRANKFURT

TELEFONBAU and Normalzeit, the Frankfurt-based telephone, data-processing and electric clock group, boosted sales last year to DM 1.4bn (\$805m), an increase of 14.1 per cent, and achieved its highest level of after-tax profits in the past decade.

The company, which is owned 39 per cent by AEG-Telefunken, reported after-tax profits for 1979 of DM 63m (\$36.2m) up from DM 59m in 1978.

Activity this year has continued strongly and despite the slow-down in the economy expected in the second half of 1980, Telefonbau is still expecting an increase of around 10 per cent in sales for 1980. New orders taken in the first

six months rose by 14.2 per cent to DM 565m, and the value of orders in hand at DM 600m represent at least eight months' work.

Telefonbau, which was previously in private hands, chose in 1968 to enter a co-operation agreement with AEG-Telefunken which guarantees AEG a majority share from the beginning of 1983.

Despite the financial troubles of the AEG group, which had to be rescued by a banking consortium last year, Telefonbau is still hopeful that technical co-operation with AEG can expand its activities, particularly in the area of data processing.

Further sharp rise in profit at Petrofina

By Our Financial Staff

ANOTHER sharp rise in profits is reported by Petrofina, the Belgian oil group, which has emerged from the first half of 1980 with net profits 25 per cent ahead at BF 4.9bn (\$176m).

Results were favourably influenced by an increase of about a third in output from the Ekofisk field in the North Sea and by significant growth in profits in America, the company said. Unfavourable influences centred on disturbances in the price of crude and finished products, and deflation in petrochemical markets towards the end of the half-year.

Petrofina also complained that still competition "brought about by temporary surpluses of finished products is leading to a reappearance of discounts to customers and a degradation of the margins of distributing companies."

Last year Petrofina increased net earnings by 37 per cent to BF 4.3bn and as a result stepped up its dividend by more than a fifth.

Arbed revises plans for restructuring

By Giles Merritt in Brussels

SHARPLY declining demand for steel this year and the serious drop in prices has forced Arbed, the major Luxembourg steelmaker, to propose substantial revisions to its 1979-83 restructuring plan.

In effect, Arbed has now been forced to tell the Luxembourg Government that additional cost of the streamlining programme—widely regarded as a model for the troubled EEC steel industry—will be more than half the original amount agreed.

Arbed's management is understood to have calculated the extra cost of the present downturn at LuxFr 13.5bn (\$496m). This must be added to the LuxFr 23.2bn investment and reorganisation plan already adopted.

Arbed is among the half-dozen largest EEC steelmakers, and relies on exports for more than 90 per cent of its turnover. So far this year the company is understood to have suffered a 20 to 25 per cent drop in orders from 1979 levels.

Good half-year for Swiss bank

BY JOHN WICKS IN ZURICH

SWISS BANK Corporation, one of the big three Swiss banks, describes its operating profits for the first half of 1980 as good and says that all sections have contributed to the upturn.

Nevertheless the bank recorded a 12.2 per cent fall in its balance-sheet total to SwFr 70.2bn (\$44bn) during the second quarter. This drop, mainly attributable to the lower dollar exchange rate, came after assets grew from SwFr 69.18bn to SwFr 79.98bn (\$50.1bn) in the first quarter.

The sum due to customers declined during the second

quarter by SwFr 1.61bn to SwFr 40.13bn with the fall accounted for almost wholly by deposits with foreign branches which were affected by currency rate changes and falling U.S. short-term interest rates.

On the assets side of the balance sheet, the loans-to-clients total decreased by SwFr 1.82bn to SwFr 34.26bn, mainly because of the change in the exchange rate.

Brown Boveri, the Swiss engineering group, and Gould of the U.S. have agreed in principle to the acquisition by Brown

Montefibre reports L38bn loss

By Our Financial Staff

MONTFIBRE, the troubled synthetic fibres subsidiary of Montedison, the Italian chemicals group, has reported a L38.9bn (\$47m) 1980 first half loss.

Turnover for the period was up by 18 per cent to L182bn, but no comparative figure has been given for last year's deficit. The company said the increase in turnover mostly was attributable to increases in prices.

The company also yesterday approved a two-stage recapitalisation and requested a three month extension of the court control over the company which was first requested last year.

Electrolux acquires three French units from ITT

BY WESTERLY CHRISTNER IN STOCKHOLM

ELECTROLUX, the Swedish domestic appliance maker, has acquired from International Telephone and Telegraph of the U.S. three Paris-based television and hi-fi companies whose sales last year totalled more than \$150m.

The move is part of a major reorganisation of ITT's European electronics business. The three companies are Oceanic, Sonolor and Televis and their disposal involved the U.S. group in an after tax book loss of some \$19m.

At the same time, ITT has concluded with Standard Elektrik Lorenz of Stuttgart, a jointly-owned ITT-Electrolux

company, an accord involving technical co-operation with the French units and the use of Standard Elektrik's Graetz and Schaub-Lorenz trade marks in France. ITT considers the sale of its French units "an important element in its restructuring programme and in the consolidation of our European consumer electronics activities."

Sales of Electrolux products in France totalled SKr 2bn (\$487m) or 13 per cent of group sales, last year. In 1979, the Electrolux group turned in pre-tax earnings of SKr 915m on SKr 15.14bn turnover and has forecast a 10 per cent profit advance for 1980.

Alusuisse smelter venture wins approval

BY JAMES FORTH IN SYDNEY

CSR, the Australian industrial and mining group is joining Swiss Aluminium Australia, an Alusuisse subsidiary, and the New Zealand group, Fleichers Holdings, to build New Zealand's second aluminium smelter at a cost of \$N2650m (\$657m).

The consortium has edged out tenders by two other competitors, Reynolds Aluminium of the U.S. and the Australian aluminium group Comalco, for the right to build the smelter on the South Island. Several details have still to be worked

and until recently owned more than 20 per cent of Fleichers.

Alumina for the new smelter will be imported, probably from the Gove operation in Australia, which is owned by Alusuisse (70 per cent) and Gove Alumina (30 per cent).

The New Zealand Government has agreed to make available the electricity estimated to be needed for the new smelter and ancillary plant, although a price for the power has yet to be negotiated.

The first stage of the project will be to produce 100,000

billets annually, and is scheduled to be completed two and a-half years after planning approvals are secured, suggesting a start-up date in the mid-1980s.

The second stage, estimated to take two years, involves a further 100,000 tonnes a year of metal, an anode plant and downstream activities, including the installation of an Alusuisse sheetcasting machine, which will be the only one of its type in the southern hemisphere. The New Zealand move is the second recent expansion by CSR into

On the eve of independence for the New Hebrides, Philip Bowring reports on the development as a financial centre of its capital, Vila

South Pacific tax haven on the move

ANYONE who is anyone in Hong Kong, and many thousands of big companies and rich individuals around the world, have bank accounts in Vila. But until secessionist problems hit this tiny South Pacific capital of the New Hebrides earlier this year, many account-holders would have had problems locating the city on a world map. They may be additionally perplexed when they discover that their accounts have moved from the jurisdiction of the condominium of the New Hebrides (British section) to that of the sovereign State of Vanuatu. The change takes place tomorrow.

Independence for the New Hebrides should mean more business for this tax haven and loan booking centre.

For the time being there is something of a wait-and-see attitude among the small coterie of bankers, trust company officials and accountants who operate the tax haven.

But there is little doubt the independent Government will

support the development of the tax haven. Participants who in the past have "soft-sold" Vila for fear of embarrassing the British and French Governments may after independence sell its merits rather harder.

At present, the New Hebrides is a small but significant loan booking centre. No figures are available from the New Hebrides itself, but at the end of December banks in the New Hebrides owed the banks and deposit-taking companies in Hong Kong some U.S.\$2.15bn, up from the U.S.\$1.5bn of end-September. Hong Kong is the main, but not exclusive, client of Vila.

Interest tax

Secondly, the South Pacific territory is extensively used by Hong Kong residents as a means of avoiding Hong Kong's 15 per cent interest tax. Offer a bank in Hong Kong a U.S. dollar time deposit and there is a good chance it will arrange

to deposit it in a Vila account. As neither territory has exchange control, money can be moved automatically, and in most cases the books are kept in Hong Kong.

Though some 50 banks have New Hebrides licences, only six have a physical presence in Vila. Four of these, including Barclays and the Hongkong and Shanghai, have set up since Vila was launched as a financial centre in 1971. To complicate matters, the biggest bank in the New Hebrides, the Banque de l'Indochine has been operating under French law rather than the British law which governs the offshore, or "exempt" banking business. Banque de l'Indochine has no offshore business.

On the other hand, France's biggest commercial bank, the Banque Nationale de Paris, has no physical presence, but is an active "exempt" bank—exempt, that is, from requirements on banks and companies doing business within the New Hebrides itself. The Hong Kong Bank group has several exempt

licences as well as a local branch.

Though the Hong Kong link is now the dominant factor it was not the origin. Tax haven status arises from a decision in 1970 by the British administration to try to regularise the activities of some fringe financial ventures, who caught on to the almost limitless possibilities of the fact that the territory had no tax, no exchange control, was outside the sterling area but used Australian as well as French currency, and had a dual legal system which in practice tended to mean no legal system.

Carriage trade

So the British, with half an eye to finding a new form of income for the little territory, moved to create a formal basis for a tax haven. But it was one which would only be available to the "carriage trade" of tax avoiders. Not just anyone could set up. They had to be introduced by respectable

bankers, lawyers or accountants. Even now, there are only about 500 registered "exempt" companies which in terms of numbers is tiny.

At present five firms of accountants, including Peat Marwick, Coopers and Lybrand and Price Waterhouse, are active in Vila.

Vila's ability to provide book-keeping services has been enhanced since May last year, when a new satellite station brought direct Telex and telephone links. Among other things, Vila now hopes to be able to make better use of its time zone—one hour ahead of Sydney, two ahead of Tokyo and 18 ahead of San Francisco to attract banks, especially in Asia, to use it rather than the Caribbean to book borrowings.

The fees and indirect taxes from the tax haven will help alleviate problems caused by 75 years of dual misrule. The condominium had two sets of many things—education and police services—but no tax system at all.

Group profits rise at Nippon Electric

BY YOKO SHIBATA IN TOKYO

NIPPON ELECTRIC Company, the major Japanese manufacturer of telecommunications equipment and computers, and its 29 consolidated subsidiaries have reported brisk earnings for the fiscal year ended March 31, 1980.

NEC's consolidated net profit jumped by 85.2 per cent to ¥14,822bn (\$63.3m). These earnings exceeded by 11 per cent those on a non-consolidated basis, as the result of a sharp earnings improvement at non-listed subsidiaries which produce integrated circuits (IC) and large scale integrated circuits (LSI).

Listed subsidiaries such as Shin Nippon Electric, Nippon Aviation Electronics Industry and Ando Electric Company also reported strong earnings.

Consolidated sales were ¥862.06bn (\$3.8bn), up 9 per cent. This compares with a 17 per cent sales growth on a non-consolidated basis (to ¥719.77bn). The lower sales growth on the consolidated level resulted from the exclusion of Nippon Electric Glass from consolidated subsidiaries. Nippon Electric Glass was classed as an affiliated company under the equity method. Inclusion of Nippon Electric Glass gives a sales growth of 18.5 per cent for the year, according to the company.

Strong demand for IC and LSI meant that sales of electronic devices rose by 35.2 per cent, to account for 21.4 per cent of total turnover. Sales of data processing equipment increased by 19.1 per cent, to 24.3 per cent of the total, while communications equipment accounted for 37.6 per cent of the total, gained by only 8.9 per cent, as a result of a low level of orders received from Nippon Telegraph and Telephone Public Corporation.

Mass production benefits and sales of IC and LSI accounted for the profits upsurge. In addition ¥7bn of improvement in export profitability arose from the depreciation of the yen. The company's products require heavy capital investments, which had been holding back its earnings. However, mass production effects and thorough rationalisation measures outweighed this.

The company is planning to meet such negative factors by mass production and rationalisation. More of the company's semiconductor production is expected to be shifted abroad.

For the current fiscal year, ending March 1981, NEC's consolidated sales are expected to reach ¥980bn, up 14 per cent, and net profits to rise 37 per cent to ¥20bn.

Times Publishing in diversification venture

BY GEORGIE LEE IN SINGAPORE

TIMES PUBLISHING Berhad, the major Singapore publishing group, has teamed up with the Hawaii-based Dillingham Corporation to diversify into the property development and construction business.

The joint venture, Times Dillingham Construction Asia, which will be owned equally by Times's wholly-owned subsidiary, Times Construction, and Dillingham, will offer construction management and services to individuals and corporations

engaged in property development. Times Publishing recently made a general offer for all the shares in Marshall Cavendish, the UK publishing company.

Although the new company will concentrate initially on Singapore, the venture is aimed basically at the whole of the Pacific Basin. Its first project will be the construction of the S\$35m (US\$ 16.6m) Times House on the group's existing head office site in Kim Seng Road, Singapore.

IMM Currency Futures

Foreign exchange futures markets on the International Monetary Market open 45 minutes earlier, effective Tuesday, July 15th.

Trading begins at 7:30 AM (Chicago time) in the following rotation: Swiss Francs, Mexican Pesos, Deutsche Marks, Canadian Dollars, British Pounds, Japanese Yen, French Francs, Dutch Guilders.

For further information, please contact the International Monetary Market: 444 West Jackson Boulevard, Chicago, Illinois 60606 (312-930-3048); 67 Wall Street, New York, New York 10005 (212-363-7000); 27 Throgmorton Street, London EC2, England (01-920-0722).



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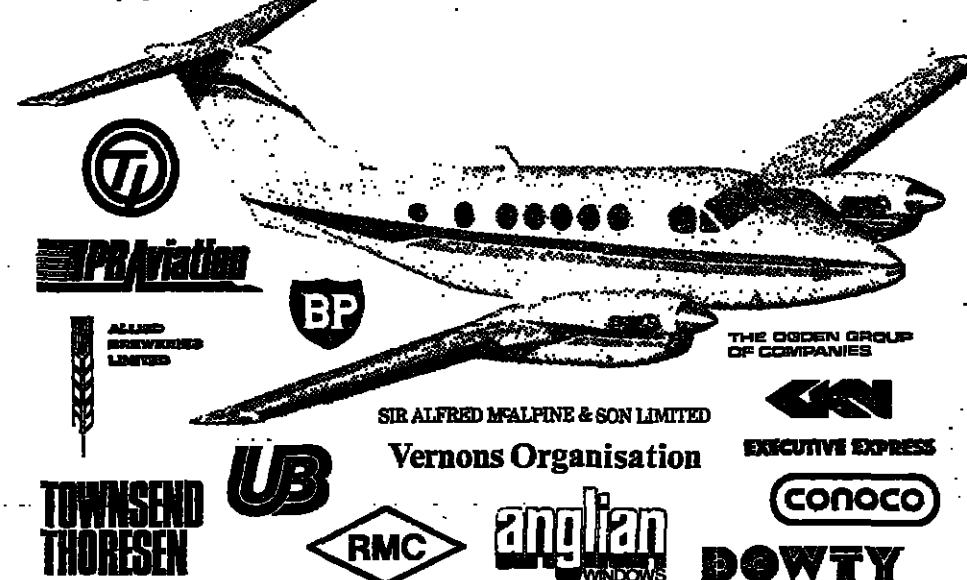
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WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on July 28, 1980. In some cases rates are nominal. Market rates are the average of buying and selling rates.

except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

no direct quotation available: (F) free rate; (P) based on U.S. dollar parties rate; (S) dollar rate; (G) gold certificate; (K) scheduled exchange; (N) non-scheduled; (T) tourist rate; (B) basic rate; (B) buying rate; (S) selling rate.

(B) bankers' rate; (C) commercial rate; (F) first; (G) gold certificate; (K) scheduled exchange; (N) non-scheduled; (T) tourist rate; (B) basic rate; (B) buying rate; (S) selling rate.

Dollar firmer

The dollar showed a firmer trend in active foreign exchange trading yesterday despite Friday's cut in the Federal Reserve discount rate to 10 per cent from 11 per cent. Euro-dollar interest rates were firmer, and the dollar was also helped by hopes that U.S. interest rates may have reached a low point for the immediate future. The U.S. currency moved within a range of DM 1.7355 to DM 1.7450 against the D-mark, and finished near its best level of the day at DM 1.7435-1.7445, compared with DM 1.7355-1.7365 on Friday. In terms of the Swiss franc the dollar rose to Sfr 1.6075-1.6085 from Sfr 1.5975-1.5985, and the Japanese yen also moved to DM 1.7355 to DM 1.7450 against the D-mark, and finished near its best level of the day at DM 1.7435-1.7445, compared with DM 1.7355-1.7365 on Friday. In terms of the Swiss franc the dollar rose to Sfr 1.6075-1.6085 from Sfr 1.5975-1.5985, and the Japanese yen also moved to DM 1.7355 to DM 1.7450 against the D-mark, and finished near its best level of the day at DM 1.7435-1.7445, compared with DM 1.7355-1.7365 on Friday.

Bundesbank, hinting at a slight easing of the central bank's monetary policy. The Bundesbank did not intervene when the dollar rose to DM 1.7391 from DM 1.7358 at the fixing, and probably was not active in the open market. Sterling rose to DM 1.810 from DM 1.8059, but the Swiss franc eased to DM 1.0862 from DM 1.0881, and the Japanese yen to DM 7.675 per 1,000 yen from DM 7.730. On the other hand members of the European Monetary System gained ground, with the French franc rising to DM 45.09 from 100 francs from DM 45.07; the Dutch guilder to DM 91.50 per 100 guilders from DM 91.49; and the lira to DM 2.105 per 1,000 lira from DM 2.103.

STERLING—Very firm near the top of EMS, despite recent cut in Dutch central bank discount rate. The guilder remained quite firm at the Amsterdam fixing, improving against several of its EMS partners. The Swiss franc and the Japanese yen, the dollar gained ground against the Dutch currency however, rising to Dfl 1.9015 from Dfl 1.8995, while sterling rose to Dfl 4.5510 from Dfl 4.5490. The Swiss franc moved to Dfl 1.885 from Dfl 1.882, and the Japanese yen to Dfl 8.850 per 1,000 yen from Dfl 8.842.

JAPANESE YEN—Showing weaker trend again after marked improvement on the downward trend in U.S. interest rates. Last year fears about energy supplies and balance of payments problems severely depressed the currency. The yen lost further ground in active Tokyo trading despite the cut in the U.S. discount rate. The dollar rose to ¥224.90 on Friday, and yesterday's opening level of ¥225.30. In early trading the U.S. currency touched a two-month peak of ¥227.20, where the Bank of Japan may have intervened to support the yen.

MARK—Slightly weaker within the European Monetary System recently, but showing a firmer tendency against the dollar following a sharp narrowing of interest rate differentials. The D-mark weakened against most currencies at the Frankfurt fixing, following Germany's June trade figures, which were little changed from May, and the announcement by Herr Karl Otto Poehl, president of the

THE POUND SPOT AND FORWARD

July 28	Day's spread	Close	One month	Three months	Six months
U.S.	2.3845-2.3875	2.3860-2.3870	1.42-1.32 pm	6.88 3.75-3.85 pm	6.20
Canada	2.7710-2.7725	2.7750-2.7760	1.45-1.35 pm	1.01 3.90-3.95 pm	6.25
Belgium	4.535-4.545	4.54-4.55	2.7-1.5 pm	1.63 4.00-4.05 pm	6.25
Denmark	12.841-12.851	12.85-12.86	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
France	4.15-4.16	4.15-4.16	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Germany	11.10-11.15	11.10-11.15	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Italy	16.70-16.75	16.70-16.75	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Netherlands	1.570-1.575	1.570-1.575	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Portugal	11.45-11.55	11.45-11.55	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Spain	16.70-16.75	16.70-16.75	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Sweden	9.64-9.67	9.64-9.67	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Switzerland	2.32-2.35	2.32-2.35	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25

THE DOLLAR SPOT AND FORWARD

July 28	Day's spread	Close	One month	Three months	Six months
U.S.	2.3845-2.3875	2.3860-2.3870	1.42-1.32 pm	6.88 3.75-3.85 pm	6.20
Canada	2.7710-2.7725	2.7750-2.7760	1.45-1.35 pm	1.01 3.90-3.95 pm	6.25
Belgium	4.535-4.545	4.54-4.55	2.7-1.5 pm	1.63 4.00-4.05 pm	6.25
Denmark	12.841-12.851	12.85-12.86	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
France	4.15-4.16	4.15-4.16	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Germany	11.10-11.15	11.10-11.15	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Italy	16.70-16.75	16.70-16.75	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Netherlands	1.570-1.575	1.570-1.575	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Portugal	11.45-11.55	11.45-11.55	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Spain	16.70-16.75	16.70-16.75	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Sweden	9.64-9.67	9.64-9.67	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25
Switzerland	2.32-2.35	2.32-2.35	1.40-1.30 pm	1.61 3.75-3.85 pm	6.25

CURRENCY MOVEMENTS

July 28	Bank of England	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9

CURRENCY RATES

July 28	Bank of England	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9

OTHER CURRENCIES

July 28	Bank of England	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9

EMS EUROPEAN CURRENCY UNIT RATES

July 28	Bank of England	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9

EXCHANGE CROSS RATES

July 28	Bank of England	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9

FT LONDON INTERBANK FIXING (11.00 a.m. JULY 28)

3 month U.S. dollars	6 month U.S. dollars	12 month U.S. dollars	12 month U.S. dollars
bid 9 3/16	offer 9 3/16	bid 9 3/16	offer 9 3/16

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

July 20	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9

INTERNATIONAL MONEY MARKET

European short-term interest rates showed an easier trend yesterday. In Frankfurt call money was unchanged at 9.50-9.60 per cent, but period rates all declined. It was announced by the Bundesbank that DM 50n will be made available to increase money market liquidity as an initial cautious relaxation of monetary policy. The Bundesbank will be added by way of a purchase and resale facility at 9.2 per cent by the central bank from August 1 until August 25. In making the announcement the Bundesbank president said that the move was designed to restore the Lombard facility to its original role of covering only peak demand in periods of extreme tightness. At the last central bank council meeting before the summer recess last Thursday the German discount and Lombard rates were unchanged, despite some market speculation of a cut.

Europe rates ease

One-month interbank money fell to 9.30-9.50 per cent from 9.40-9.60 per cent yesterday, with three-month falling to 9.10-9.30 per cent from 9.20-9.50 per cent; six-month to 8.70-9.00 per cent from 8.85-9.00 per cent; and 12-month to 8.20-8.40 per cent from 8.35-8.50 per cent. In Paris call money fell to 11 1/2 per cent from 11 3/4 per cent, returning to Thursday's level, which was the lowest since February 18. In Amsterdam call money was quoted at 9 1/2-10 per cent, compared with 9 1/4-10 per cent on Friday, while one-month funds declined to 9 1/4-10 per cent from 9 1/2-10 per cent; three-month to 9 1/4-10 per cent from 9 1/2-10 per cent; and six-month to 9 1/4-10 per cent from 9 1/2-10 per cent.

UK MONEY MARKET

Exceptional shortage. Bank of England Minimum Lending Rate 16 per cent (since July 3, 1980). Day-to-day credit was in very short supply in the London market yesterday, and the authorities gave assistance on an exceptional scale. They bought a small amount of Treasury bills and local authority bills from the discount houses and banks, and also bought a small number of eligible bank bills from the Treasury. The help was completed by lending an exceptional amount overnight to 10 or 11

LONDON MONEY RATES

July 28	Bank of England	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9

MONEY RATES

July 28	Bank of England	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9

NEW YORK

July 28	Bank of England	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9

FRANCE

July 28	Bank of England	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9

JAPAN

July 28	Bank of England	U.S. dollar	U.S. dollar	U.S. dollar	U.S. dollar
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9
U.S. dollar	75.9	75.9	75.9	75.9	75.9

A FINANCIAL TIMES SURVEY Sri Lanka



AUGUST 27 1980

The Financial Times proposes to publish a Survey on Sri Lanka in its edition of August 27. The editorial synopsis is set out below:

INTRODUCTION Under President Jayawardene's leadership, Sri Lanka enters the 1980s on a note of continuing stability. Constitutional amendments of February 1979 further constrict opposition. Progress of President Jayawardene's open door economic policy.

POLITICS Government measures to reduce communal tensions and how far these go to meeting Tamil aspirations. Emergency measures by Jayawardene, tough anti-terrorist laws.

THE ECONOMY Growth rate of approximately 6 per cent as Sri Lanka dismantles exchange and import controls. Borrowings from the IMF and commercial banks to finance trade deficit and development objectives. Drought and falling tea prices add to concern over the economy. 1980 Budget—tax restructuring, concessions to new companies.

Editorial coverage will also include:

TRADE

FOREIGN RELATIONS

INFRASTRUCTURE DEVELOPMENTS

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AGRICULTURE

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INDUSTRY

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Copy date July 27 1980

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The contents, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor

1980

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Management abstracts

These summaries are condensed from the journals of abstracts published by Anbar Management Publications. Readers wishing to consult original texts should write to: PO Box 23, Wembley HA9 9DJ.

Business Planning in Small and Medium-Sized Firms. I. Bamberger in *Management International Review* (Fed. Rep. of Germany) No. 1/80: p. 29 (10 pages).

Discusses the necessity for policy planning in smaller firms, the extent to which they are capable of planning and how they should go about it; analyses the characteristics of strategy formulation, argues for a contingency approach to planning, and offers suggestions for its design and implementation by line managers rather than by specialists.

Corporate Goals. C. B. Saunders + F. D. Tuggle in *Journal of General Management* (UK), Winter 79/80: p. 3 (10 pages).

Reports a study of how organisational goals are established and what they consist of, which found that they appeared in two guises: goals-as-objectives (quantitative, incorporated in a budget) and goals-as-constraints (qualitative, helping to determine an organisation's climate and character); criticises the absence of formal, strategic searches for opportunities and the reluctance to apply "what if" questioning to alternatives; suggests ways of minimising such managerial myopia.

The Management of Microprocessors. K. Greenhalgh in *Management Decision* (UK), No. 17/79: p. 479 (42 pages, charts, diag.).

This is an A to Z introduction to microprocessors and the management decisions necessary to the initiation and implementation of a project; points to the conceptually different functions of micro as control devices for products and processes and as small-scale data processors for business administration; and offers guidelines for conducting feasibility studies in both areas; discusses the organisational implications of micro in terms of the role of the specialist, the education of management and the management of change. Provides a glossary of terms.

FROM his office desk in an Amsterdam suburb Dr. Anton Dreesmann can survey his retailing empire stretching west to California and Brazil and East to Japan. He can do this by looking at the large blackboard listing his company's worldwide interests which covers the walls of Dreesmann's fifth floor office.

With barely a month going by without the announcement of a new acquisition or at least the start of takeover talks either in the Netherlands or abroad the room taken up by the blackboard is continually growing. The portrait of Dreesmann's wife has already been moved three times and a further move is threatened.

In the space of five years Dreesmann has turned the family department store group into an international retailing and service conglomerate with operations in North and South America and the Far East as well as back home in Europe. With 1979/80 gross turnover of £1.6bn (\$3.4bn) V and D is by far the largest and most widely diversified Dutch retailing group.

V and D's traditional department stores—57 of them—can be found on the high street of any town of any size in the Netherlands. The group also has specialised clothing chains such as Claudia Straeter and New England in the dearer price bracket, as well as food stores like Edah and Komar which are well to the fore in the grocery pricing battle.

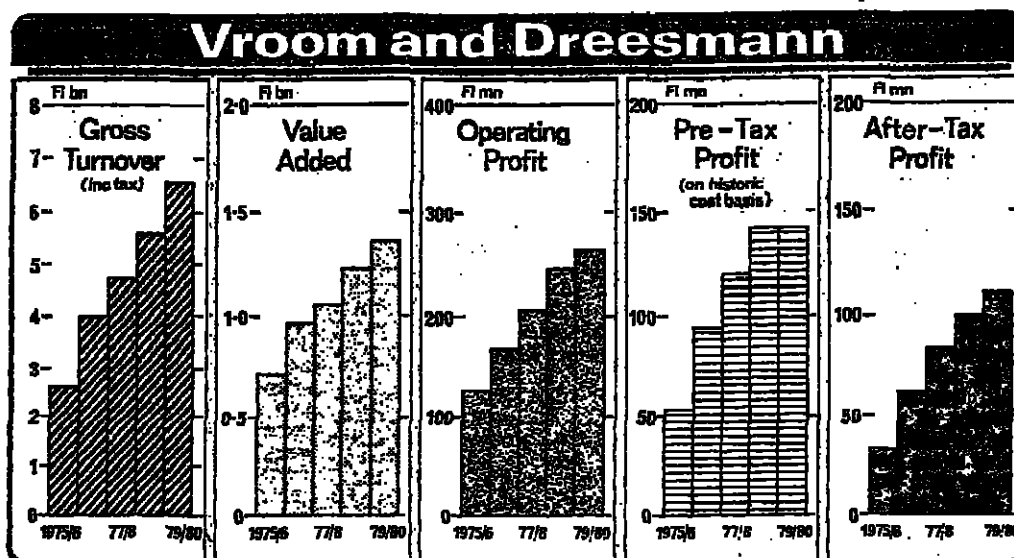
"We saw earlier than others that department stores were heading for a period of stagnation. In five or six years they will pick up again," explains Dreesmann. Department stores throughout Europe face the problem of high wage costs and a broad product range which does not lend itself to the self-service approach. Coupled with that are the parking problems in the historic heart of many Dutch towns which are more pressing than in most other European cities.

The slow-down in the growth of disposable incomes in the Netherlands and the threat of an actual decline in real wages in the near future pushed V and D in to two, partly complementary directions: the service sector at home and retailing abroad.

To mark the growing importance of its service activities V and D last year formed a separate division to group its domestic and international courier services, its employment agencies and cleaning and security operations. Other services provided include computer software development, bungalow parks, catering and estate agencies.

Dutch stores group shops around in other markets

BY CHARLES BATCHELOR



A field of particular interest to the group and to Dreesmann himself is consumer electronics. Some products which at present use conventional techniques will, in the foreseeable future, be based on entirely new technologies, Dreesmann says.

"A breakthrough can be expected in the miniaturising of lasers and chips. Entirely new industries and distribution channels will be needed." To meet this development V and D has acquired a consumer electronics wholesaler, and bought a stake in a cable television network.

Freer climate

V and D's expansion abroad has concentrated on the U.S., where retailing skills are most highly developed, the business climate is freer than in most countries and profit margins higher. It now owns stakes in four large American retail groups with stores in most states of the union.

In the past three years it has bought a 15 per cent share of the Outlet Company of Providence, Rhode Island, 10 per cent of H. J. Wilson Company of Baton Rouge, more than half of Dillard department stores of Little Rock, Arkansas, as well as 15 per cent of Cole National Corporation of Cleveland, Ohio. V and D's foreign activities are making a growing contribution

to group profits and, despite the threats presented by the U.S. recession, V and D's American activities are in states with fairly resilient economies and should fare better than most, Dreesmann believes.

V and D's expansion abroad has been motivated partly by a concern that it might become too dominant a presence on the limited consumer market, in a country with a population of only 14m and partly by a desire to spread business risks. Dreesmann also seeks synergies—a frequently recurring term in his own vocabulary.

The Netherlands can teach the U.S. something in the social field but American commercial expertise, developed in a huge market which allows specialised retailing networks to flourish, is supreme, Dreesmann believes. For example, V and D's stake in the Outlet Company, which runs a number of television and radio stations, gives it access to skills useful in the development of its cable television venture in the Netherlands.

Dreesmann's foreign ambitions do not end in North America. V and D owns the Brazilian Ultramar retail chain with 47 stores in the Sao Paulo and Rio de Janeiro conurbations. The Dutch company's most recent move was the signing of a co-operation agreement with Uny Company of Nagoya, one of the top five Japanese re-

tailing groups. The two plan to buy jointly in Europe and develop new retailing formulas in Japan.

Further expansion is planned in these three fast growing parts of the world and other countries in the Far East, apart from Japan, are also under consideration.

Not all of Dreesmann's foreign ambitions have been fulfilled, however. Delays in concluding a deal in Iran saved V and D from committing itself to that country on the eve of Ayatollah Khomeini's revolution.

Dreesmann gives a broad interpretation to the service ideal, which explains his group's important financial division. Staal Bankiers, a small Rotterdam-based merchant bank when it was acquired by V and D in 1978, is rapidly being developed into a general bank, with the emphasis on servicing small to medium sized companies, institutional investors and the wealthier private customer. A financing company, a stockbroker and insurance agency with counters in the group's stores, complete V and D's financial division.

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tion against a rumoured takeover by another company. These shares have since been placed in a holding company jointly owned by V and D and Bijenkorf.

Another big rival in the clothing field, the P and C group, is also 22 per cent owned by V and D.

Decentralisation is Dreesmann's solution to managing his company's widely-spread activities. "We try to get the best of both worlds," he says. "Externally we operate on a large scale, internally on a small scale. We are strongly decentralised and the different divisions have great day-to-day freedom."

Dreesmann rarely visits his operating companies; he allows his local managers to concentrate on the running of the business. Central staff of the group are always available to advise in specialised areas such as market research, the finding of new store sites and the building of new stores.

This decentralisation is reinforced by the fact that there is no company-wide annual agreement on wages and conditions. The different group units reach their own agreements, which, Dreesmann asserts, are generally in advance of the retail sector as a whole.

Hobby horses

V and D applies the same arms-length philosophy to the companies it takes over. "Most mergers fail because concerned management takes too close an interest in its new acquisition. It can be smothered to death out of a misplaced parental affection."

Diversification, though, is seen very clearly as a function of top management and of Dreesmann himself. "Other wise things can go really wrong, with individuals riding their own hobby horses," he says. He has supervised the company's expansion in the U.S. and has made regular trips in recent years.

The spectacular growth of the company over the past five years — net profits have increased 240 per cent while turnover has risen 150 per cent — is all the more impressive for having been accomplished by a



Anton Dreesmann: "We try to get the best of both worlds: externally we operate on a large scale, internally on a small scale"

company without access to the public equity market. "We have a high degree of internal financing and do not need the Stock Exchange," says Dreesmann.

Acquisitions accounted for £1.00m of the £1.265m investment spending last year though the company has been able to maintain its financial ratios. Capital and long term borrowings have remained in a steady one to one ratio to invested funds for the past three years while own assets account for a "satisfactory" one third of the balance sheet total, the company says.

V and D was founded 93 years ago in Amsterdam by Anton Dreesmann, grandfather of the current chairman. He set up his own first store in 1878 with £12,000 borrowed from an uncle, later teaming up with Willem Vroom. The two men, by then brothers-in-law, opened their first joint store in 1887.

How strong is the family influence on the group today? Anton Dreesmann and a member of the Vroom family sit on the three-man ruling presidium but the third member, the group financial director is an outsider. Family and non-family members are equally balanced on the six-man managing board.

"Being a member of the family does not mean you will get to the top," says Dreesmann. "In fact, in today's critical climate you probably would not." The fortunes of a company the size of V and D

could not be entrusted to incompetent managers just because they are descendants of the founders, he adds.

Dreesmann, now 57, heads both the presidium and the managing board, after starting as a salesman 30 years ago at the company's store in Leiden. Being the largest single shareholder has enabled him to push through the modernisation of the company over the past decade.

A Doctor of Economics, he holds a Professorship at Amsterdam University, lecturing in marketing one day a week. "My time at the university gives me the chance to step aside from the other five days of the week and stops me from getting into a rut," he comments.

Apart from the reading required to keep on top of his academic work Dreesmann is an avid leisure time reader. Nearly a quarter of his 45,000 book library is devoted to the arts; he also has an extensive art collection, including works by the Impressionists and their successors as well as of the classical Dutch school.

He attributes his company's rapid and successful growth to "luck, the ability to take decisions and knowing the ins and outs of your market." His personal enthusiasm for the job is also an important factor. "It is important to be emotionally involved in a job. Ambition is a prime mover. Unfortunately," he concludes, "this is not a very Dutch idea."

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

OFFICE EQUIPMENT

Word processor market growing

SHIPMENTS of word processing systems totalled 11,800 units in Western Europe in 1979, giving a 30 per cent growth over 1978 shipments. But, IDC Europa points out, IBM lost a significant share of the market. "By not having a replacement system for the estimated 35,000 magnetic tape and magnetic card systems still in use at the end of 1978."

These are two of the conclusions drawn in a Eurocast report which follows an investigation of the word processing markets in western Europe. The study specifically looks at equipment levels and forecasts, vendor strategies, and country characteristics for stand alone, shared logic and hybrid shared logic systems but excludes electronic typewriters.

While the marketplace is apparently bursting with activity, IDC measures the 1979 growth to be 30 per cent falling to 26 per cent in 1980. The report states that these growth levels are less than some observers had expected considering the claims of certain vendors for 100 per cent growth. However, many others who were not making pronouncements, especially IBM, are growing much more slowly. In addition some of the dramatic growths reported are from vendors with a small base where it is much easier to expand quickly.

By the end of 1978 there were 68,400 stand alone systems and 1,235 shared logic systems installed in Western Europe. The dominant force in the stand alone market was IBM with a 52 per cent share, followed by Olivetti with 11 per cent, Kalle Infotec (7 per cent), Xerox (6 per cent) and Redaction (Burroughs) with 4 per cent of the market.

Impressive shipment levels from Wang, AES Wordplex and Wydec in 1979 enabled them to increase their market penetration. The installed base of shared logic systems is led by Wang with 34 per cent followed by Four Phase, AM Jacquard and AES Wordplex.

The report (9985) shows that the two leading British companies—Data Recall and UDS (now acquired by Nexos)—each hold about 1 per cent of the European market although the UDS base is almost entirely in the UK. By the end of 1980 the stand alone installations in the UK will be 60 per cent non-display, 25 per cent single-line display and 15 per cent partial and full-page display, although the latter now accounts for just under 70 per cent of the shipments.

IDC Europa, 2 Bath Road, London W4 1LN. 01-985 9222.

DATA PROCESSING

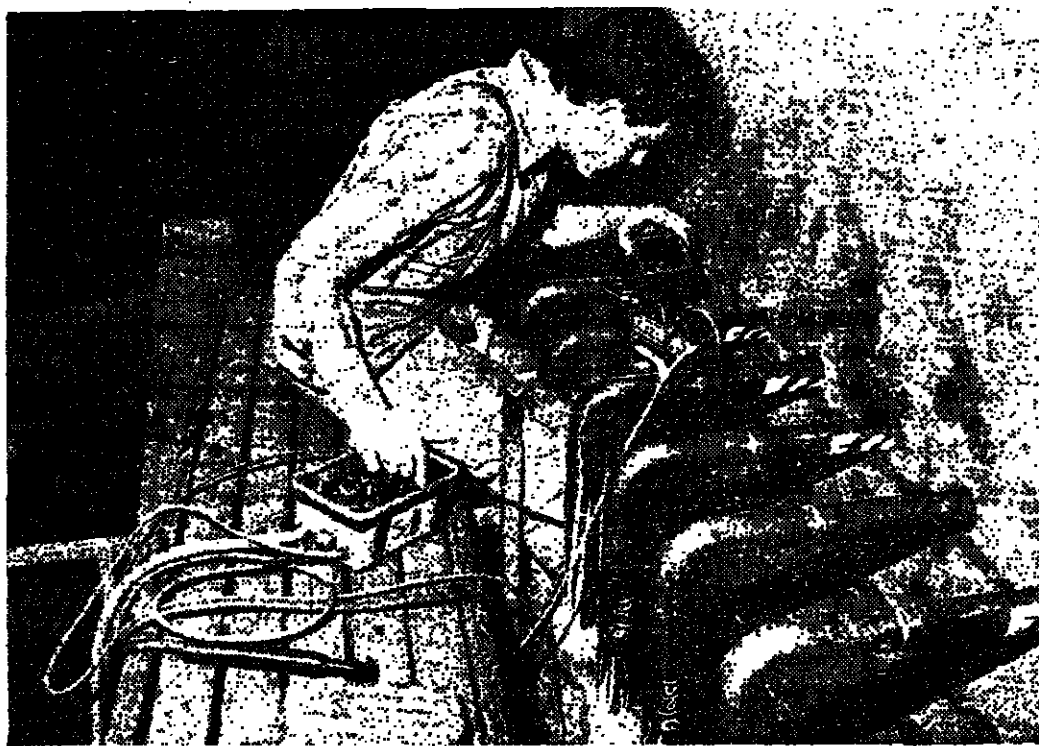
Easier to make inquiries

TWO NEW software products are a new version of a transaction processing monitor and an inquiry processing system suitable for non-computer staff—have been announced in Europe by NCR.

The monitor has several sections to handle tasks which include security handling, scheduling, logging messages, interfacing between applications programs and database management systems, back-ups, restarts and recovery, the handling of terminal screen formats and the editing and validation of data.

virtual NCR Century and 8000 series computers. The latest version runs under NCR's Virtual Resource Executive (VRE) operating system on the large V-8555 computers and above. Annual fee is £3,000.

The new inquiry processing system, TRANQUEST, allows users with no computer training to get information from a computer system using English-like statements and eliminates the need to write special programs each time one-off requests are made. If for information the user can also be used for comprehensive system documentation. NCR is at 206 Marylebone Road, London NW1 6LY. 01-723 7070.



PROCESSING

Gives clearer view all round

MANY people find it impossible to wear contact lenses with any degree of comfort; many can't learn to cope with bifocals. And clip-on sun filter lenses are clumsy, say the least.

A lens formula which, to a large degree, solves all these problems is available from Essilor. It is the Varilux system which provides a gradual rather than an abrupt change in lens shape and thus power and is applicable to fast photochromic lenses, but most recently to hard plastics.

For people working with computers and needing continuously to alter their focal lengths between keyboards and displays the Varilux 2 glass or

plastic (Orma) formulation would be of great value, particularly for those people whose eye function is changing rapidly as they approach middle age.

Varilux is not the only progressive correction lens system, but its developers assert that it is far superior in performance, particularly for eye movement in or near the plane of the eyes. Abnormal deformations of perceived images are avoided and thus the lens is best adapted for use by people on the move.

The company has a large degree solved the problem that for a given power a plastics lens is thicker than its glass equivalent. At the same time, the resin chosen (even untinted) intercepts short wavelength

ultraviolet harmful to the eye. For those people whose distant vision is unimpaired but whose close vision is beginning to play up there is a version called Modulor.

Essilor, Coopers Road, Thornbury, Bristol. 0454 417100.

CONSTRUCTION

Electrical system for buildings

PROMPTED by a design brief from Rybka, Smith and Ginsler, consulting engineers of Toronto, Haden Young has devised a complete electrical system which can be cast into a concrete structural slab. A finished floor surface can be power-floated directly on to the structural slab without the need for a secondary finishing screed.

The system is commonly used in North America, but has not been employed to any extent in the UK, says Haden Young (01-387 4377).

The first large UK location in which the system has been used is Enterprise House, High Holborn, London, where the work is being carried out for Townsend Thoresen Properties.

R. Seifert and Partners are the architects, the main contractor is Taylor Woodrow and the structural engineer Bunyan Mayer. Floorplan Electrical manufactured the underfloor distribution units.

Work in progress at Foster Wheeler with A21 circumferential welding units from ESAB on boilers for the aluminium smelting and desalination project in Dubai, United Emirates. Some 30,000 welds to the highest national and international specifications were performed over a period of 18 months and 11 of the orbital tube welders were employed in two shifts. Since the recent completion of this big contract, ESAB has brought out the biggest welding tool yet for use with the A21. This is an 83 inch unit and raises the number of sizes available to six, starting at 0.12 inch. More from ESAB at Beachings Way, Gillingham, Kent ME8 6PU. 0634 34455.

ELECTRONICS

Industrial control system

WITH over 13 years of experience in designing industrial control systems, Holdsworth Electronic Developments of Harrogate is now offering a microprocessor based control system utilising the Texas Instruments TMS 9900.

Known as System 2900, the control equipment is offered in the form of a number of boards designed to ISEP parameters, with data and address bus formed as part of the back wiring.

Apart from the central processor there are boards for memory, communications, power, monitoring, closed loop servo operation, analogue input, transducer input, and stepper motor operation.

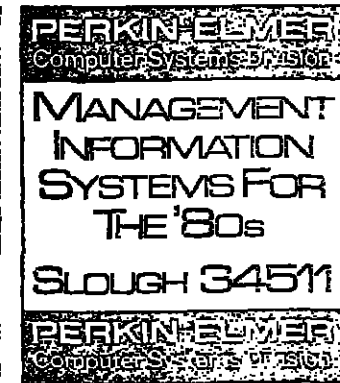
Known as System 2900, the control equipment is offered in the form of a number of boards designed to ISEP parameters, with data and address bus formed as part of the back wiring.

Machine was put into full production three weeks after its delivery last December and, since then, 94 per cent utilisation has been achieved from its day and night operation.

Because machining speeds and feeds are tape controlled, finished components are produced reliably in a known time, thus helping to control costs, says Cincinnati Milacron, Kinross Road, Birmingham (021 351 3821).

Backhead and handle forms the head of the workpiece and houses the control system and air inlet ports to the operating cylinder. It is machined from a one-piece casting in nodular iron, the bottom face being machined to provide a register prior to mounting on the machine centre.

All subsequent machining operations—which include milling, drilling, reaming, boring, tapping and chamfering—are carried out in a single set-up. Conventionally, 13 fixtures would have been necessary to



The company says that the equipment has been designed to work in harsh industrial environments and that maintenance is a matter of ease changing.

Software to run the system is available, as are transducers, photoelectric devices and other control hardware.

More from Victoria Avenue, Harrogate, HG1 1DX (Harrogate 55221).

METALWORKING

Machining costs reduced

WITH THE installation of a Cincinnati Milacron numerically controlled machining centre at Camborne, Cornwall, CompAir is reported to have achieved substantial cost savings in the making of the complex backhead and handle units used in its new Zitech 20 road-breaker.

A pay-back of only 1.1 year is expected from the £100,000 investment and is achieved in production costs of 69 per cent, and reductions in tooling costs of 88 per cent. All these figures are based on up to 13 different sizes of components, and estimated figures show a return on capital investment of per cent.

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allow the faces and holes to be machined, and CompAir estimates that the work would have cost about £4,200.

Excluding inspection and any resulting rectification work, it would also have been necessary to transfer the components between machines for 12 separate operations, involving high handling costs along with the added risk of damage and errors contributing to the scrap rate.

In contrast, the CINC-Xchanger allows machining to be carried out in a single set-up, thereby eliminating handling between operations, and minimising scrap rates.

By using the built-in, tape controlled, precision 360 degree position indexing table to present the various faces of the workpiece to the tools automatically, only one single station fixture is needed.

Further contribution to cost savings has been made by rationalising design of the components with NC machining in mind.

Although such rationalisation should be a feature of all machining practice, at CompAir the practice has been carried through to achieve a maximum success.

Thus, standard sizes have been adopted for bores, threads and chamfers, in order to avoid the need for special tools, and to minimise tool changing and its associated time loss. In this way, only 20 entirely standard tools are needed to machine the components.

Future components will also have this constraint placed on design so that the requirement for additional tools will be kept to a minimum with subsequent savings in costs and simplification of machining procedures.

JOBS COLUMN

Young managers losing their wander-lust

BY MICHAEL DIXON

YOUTH HAS lost its taste for travel, or so this column has been assured by several recruiters recently. Asked why, they offered interpretations of two main kinds which, oddly enough, seemed to vary according to whether or not the person offering it was at least as old as I am.

The older group mostly lamented the reported reluctance to spend much if not most of the working year away from home, as confirmation of a generally stick-in-the-mud attitude among people aged under 35 or so. The others felt that the reluctance denoted a sadder view among the younger generation as to the proper balance between their career and other parts of their life.

"I find more and more men with growing children are saying in interviews that it isn't fair for them to spend a lot of time away, leaving their wife to cope with the family alone," observed one of the younger recruiters. "Besides, they think that being there to take part in bringing up the children is at least as important a responsibility as doing their job."

That seems to be an eminently sensible attitude. It is especially so when those who adopt the older convention of wedding themselves to their company face an increasing risk of being divorced by it in their 40s or 50s, as well as

finding that their children have grown up to look on them almost as a stranger.

But when I talked to one of the non-travelling managers, I found him more cynical about the cause of the reported reluctance.

"It strikes me that anyone who gets excited about roaming the world as part of the job is somehow living in a bygone age in spite of their present experience," he said. "There's not much of the old deck-tennis on the ocean liner and the elephant rides through the bush any more, is there?"

"Nowadays you go from one airport to another, take a car to some standard hotel, go from there to some office, then back to the airport. You might get out and about enough to feel that the climate's hotter or colder, and notice that the people look different maybe. But you can't say you really experience the different country, can you? That's not true, it's hotel-hopping. Nobody in his right mind would want to do much of that."

When I put the matter to a woman personnel specialist in her early 30s, however, she suspected that the recruiters who complained about the reluctance were compounding the problem by their own attitude. "I'd be pretty sure that when they're recruiting for a job which involves a lot of travel, they think almost exclusively

in terms of men. But if there are fewer men around who're career-minded enough to spend a lot of time away, there are certainly a lot more career women who'd jump at the chance. They ought to catch up with the times and start positively encouraging women to apply."

Two recruitment consultants who might particularly benefit from that advice at the moment are Peter Marlow of MSMS International, and Terry Ward of Brook Street Executive Resources.

Both are seeking specialists of a financial kind who, although based in London, will need to spend a good deal of time abroad. In both cases, too, the employing organisation may not be named, and so the headhunters guarantee that any applicant who so requests will not be identified to their client without specific permission.

The person sought by Mr. Marlow will be responsible to the head of the investment department of a big concern which, among other things, provides financial management and advisory services to the Governments and central banks of numerous countries including those in the Third World. The funds under its management currently total about £2,000m.

While the newcomer will have the title of investment adviser, the main emphasis of the job will be on the provision

of financial planning and advice at the highest level to the client countries. The advisory services cover the management of reserve assets in various forms, the management of foreign debt, and the development of financial markets within the countries.

As well as maintaining and monitoring the services already established, and serving as a link between the clients and dealers and relevant departments of the United Kingdom Government, the recruit will be expected to develop new custom. "Effectiveness will to a large extent be measured by ability to extend the scope of the department's business," Mr. Marlow says.

He adds that overseas travel will account for about four months of each year, requiring the investment adviser to be away from home for up to four weeks at a time.

Candidates must have sound knowledge of the international monetary system and financial markets world-wide, and be able to identify the likely sequences of political and economic events in both the long and the short run. They should have at least five years' experience in the international banking, the corporate finance or the investment department of a merchant bank, the Treasury, the Bank of England or similarly hazy financial institution.

Those attuned to negotiating with top people in overseas countries will be preferred. So, I'm sad to say, will those with good honours degrees.

Salary will be up to £18,500. Inquiries to Mr. Marlow at 115 Mount Street, London W1V 5HD: telephone 01-483 8807, telex 27950 ref. 2218.

Globe-trotter

THE PERSON wanted by Terry Ward is likely to spend more than half the year abroad, largely in Europe (particularly Scandinavia), but sometimes farther away.

The job is that of international internal auditor with the London-headquartered division of an expanding U.S. group. But the recruit will report to the corporate auditor at the U.S. offices of the company, which specialises in expensive luxury goods, some of its own making and others bought in from external manufacturers.

Responsibility will include not just assessing the financial and operating controls of a variety of scattered business operations, but also recommending necessary improvements.

Candidates should be recently qualified accountants wanting to work at the sharp end of commerce. Success should bring financial-controller status.

Salary around £12,000. Inquiries to Mr. Ward at 47 Davies Street, London W1; Tel. 01-499 7382.

Ticking off

DAVID SHAW, personnel adviser to the Saudi Industrial Development Fund, has written to tick me off for overdoing the agony when I reported, at second hand, on working conditions in Saudi Arabia, on June 26.

While it is true that there are no public cinemas, many organisations run regular video shows, he says. Mixed bathing is certainly not banned in company compounds and in clubs, even with Arabs present. Men and women may go to restaurants and so on together, and while women may not drive, many expatriate wives have their own driver and also have well paid jobs.

"I would say that the social round here is infinitely less claustrophobic than is usually the case in the UK," he protests.

While many organisations work at least a 54-day week, his consists of five eight-hour days and he is home 15 minutes after leaving work. Moreover, everyone has opportunity to take regular leave "to the more interesting and exotic parts of the world, particularly the Far East."

EDP AUDIT

N. Home Counties £12,000 + Car
This appointment arises within a highly diversified multi-national which enjoys an outstanding reputation for the quality of its financial control systems. The position calls for a qualified accountant with a strong EDP background gained either in industry/commerce or in the profession. Above all, however, the successful applicant will need a sufficiently flexible and positive approach to take advantage of the excellent career opportunities this company offers.

NUMBER TWO

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Selection of Consultants

Contract No. 811 - Preparation of the Project Design and Tender Documents

HIDRONOR S.A. invites firms or consortia of firms, local as well as international (associated with local firms), from member countries of the Interamerican Development Bank (IDB) who are interested in participating in the presentation of antecedents and tenders for carrying out the studies of optimization of the Limay River system between the foot of the Piedra del Aguila Dam and the Lake of the Chocón Dam, the preparation of the project design and tender documents for the principal, accessory and complementary works and for the supplies for each of the Pichi Picun Leufu and Michihuo Projects.

HIDRONOR S.A. initiated transactions with the Interamerican Development Bank in order to obtain the necessary loans to finance this contract.

The procedure for the presentation of antecedents and tenders is indicated in the document "Selection of Consultants for the preparation of the project design and tender documents" which may be purchased for \$1,000,000 (one million Argentine pesos), at the offices of HIDRONOR S.A., Leandro N. Alem 1074, 4th floor, (1001) Buenos Aires, Republic of Argentina, or at Presidente Yrigoyen 379, (8324) Cipolletti, Rio Negro, Republic of Argentina, from 8th July, 1980.

The reception of the antecedents and tender will take place at the HIDRONOR S.A. offices located at Leandro N. Alem 1074, (1001) Buenos Aires, Argentina, at 16.00 hours on the 7th October, 1980.

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Applications in strictest confidence to: Christopher D. Stock, FICB, AECI (UK) or Trevor M. James, MECI, on 01-481 8111, quoting ref. R1351.

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UNIVERSITY OF EDINBURGH

Applications are invited for the post of Finance Officer, to succeed Mr. R. O. Currie, University Accountant, who retires on 30th September, 1980.

The Finance Officer will be a member of the senior administrative team called upon to advise on general policy matters in the University. He will be responsible to the Secretary to the University but will have close day-to-day contact with the Principal and Vice-Chancellor.

While the possession of an accountancy qualification would be an advantage, it is not deemed essential. Preference will be given to candidates with previous experience in University administration. The salary will be on the Administrative Grade IV Salary Scale, together with superannuation benefits.

Further particulars may be obtained from the undersigned with whom applications (ten copies) giving the name of three referees, should be lodged not later than 8th September, 1980.

Please quote reference 10/80. A. M. CURRIE, Secretary to the University, Old College, South Bridge, Edinburgh EH8 9YL.

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ON SHARE WARRANTS TO BEARER Pursuant to the Notice published on 6th June 1980, members are informed that the rate of exchange at which payments of the above dividend are to be made to the United Kingdom Permanent Agents on 7th August, 1980, is 3 Rand of 100 cents equals 34.92375 United Kingdom currency. The dividend is payable by the United Kingdom Permanent Agents at their office at 246, 7040B.

Holders of Share Warrants to Bearer are informed that payment of dividend No. 99 will be made on or after 8th August 1980 upon surrender of Coupon No. 99 at the London Bearer Reception Office, 20 Holborn Viaduct, London, EC1P 1AB.

Amount Payable per Share (UK Currency)

Equivalent in United Kingdom Currency of dividend declared ... 246,704.00

Less: South African Non-Resident Shareholders' Tax at 15% ... 37,005.56

AMOUNT PAYABLE WHERE A UK INLAND REVENUE DECLARATION IS LODGED WITH COUPONS ... 209,698.44

Less: United Kingdom Income Tax at 15% on the gross dividend (see Notes 1 and 2 below) ... 37,005.56

AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITH-OUT UNITED KINGDOM INLAND REVENUE DECLARATIONS ... 172,692.88

COUPONS must be listed in duplicate on forms obtainable from the London Bearer Reception Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.

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157 Clapham Road, London SW9 0PT

CHARTER CONSOLIDATED LIMITED

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER

A final dividend of 5p per share will be payable on or after 8th August, 1980, to persons presenting coupon No. 31 detached from share warrants to bearer. The dividend will carry a tax credit at the rate of 30/70ths of 2.1426p per share.

Coupons, which must be left four clear days for examination, may be lodged any weekday (Saturday excepted) at the Bearer Reception Office at this address, or at Credit Lyonnais, 19 Boulevard des Capucines, 75002 Paris, or Banque Rothschild, 21 Rue La Fayette, 75009 Paris. Lending forms may be obtained on application.

40 Holborn Viaduct, London EC1P 1AB 29th July, 1980.

OLD COUNTRY DOLLAR COMMODITY TRUST (CDR)

The undersigned announces that as from August 1st, 1980 at K&A Associates N.V., South Street 172, and Pearson Holdings & Pearson N.V., Herengracht 212, Amsterdam, dividend No. 3 of the CDR Old Country Dollar Commodity Trust will be payable with Div. 14.04 per CDR share, 10 units and with Div. 140.40 per CDR, per share-date 20.4.1980; US\$ 1.40 per share-date 20.4.1980.

This dividend distribution is not subject to tax withholding at source. Amsterdam, 21st July 1980. AMSTERDAM DEPOSITARY CO. N.V.

PUBLIC NOTICES

CITY OF BRISTOL VARIABLE RATE RECEIVABLE

The Council of the City of Bristol announces that the half-yearly payment of interest on the Variable Rate Receivable will be at the rate of 8.5% per annum from 1st July 1980.

For the year ended 31st March 1980, the interest rate was 8.5% per annum.

For the year ended 31st March 1981, the interest rate will be 8.5% per annum.

For the year ended 31st March 1982, the interest rate will be 8.5% per annum.

For the year ended 31st March 1983, the interest rate will be 8.5% per annum.

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For the year ended 31st March 1985, the interest rate will be 8.5% per annum.

For the year ended 31st March 1986, the interest rate will be 8.5% per annum.

For the year ended 31st March 1987, the interest rate will be 8.5% per annum.

For the year ended 31st March 1988, the interest rate will be 8.5% per annum.

For the year ended 31st March 1989, the interest rate will be 8.5% per annum.

For the year ended 31st March 1990, the interest rate will be 8.5% per annum.

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Candidates should be fluent in Japanese and English and have a very good working knowledge of Japanese securities. Bookkeeping experience and understanding of accounts and of the securities markets would be an asset.

Salary is negotiable, in the region of £4,500-£5,000 plus luncheon vouchers. Working hours 9 a.m. to 5 p.m., with 1 hour for lunch, Monday to Friday. Summer and winter bonuses are paid, in the discretion of the management. 21 paid working days holidays, plus all normal public holidays. Candidates should write with full details, in confidence, to:

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APPOINTMENTS

John Brown chief for the Americas

Mr. Robert McMurray, senior vice president and chief financial officer of the Leesona division of John Brown and Co., has been appointed to the new position of executive vice president of the JOHN BROWN GROUP INC. He will oversee the company's interests in North America and Latin America. His responsibilities will include planning, financial, legal, customer and public relations.

Mr. William Berry and Mr. A. A. Clark have been appointed directors of LEESONA AND FINANCIAL TRUST. Mr. T. R. Grieve did not seek re-election at the recent annual meeting and Mr. G. C. Stokes ceased to be his alternate.

Mr. J. R. Hamilton has taken over as chairman of SHIRLEY DRYDEN LIMITED, a company which makes testing equipment for the textile industry. Mr. Hamilton is a main board director of Whitbread and was previously a director of Carrington Virella.

Mr. Tony Driver, director, personnel and administration, BP OIL, has retired from the company and has been succeeded by Mr. John E. Stinchcombe, who was general manager, sales, Mr. Driver has been appointed a non-executive director of BAXTER FELL AND CO.

Mr. D. R. Gilbert is to become company secretary at HAWKEY SIDDELEY GROUP from October 1. He will succeed Mr. C. B. White, who is resigning from that position and leaving the company at the end of September at his own request.

Mr. R. F. Riding, deputy controller of WILLIAM AND GYNS BANK, has been appointed chief accountant and a deputy director. Mr. R. W. Harrington, from Williams and Gyn's International Banking Division, has also been made a deputy director. Mr. Harrington was formerly senior manager for shipping and Scandinavia.

The Secretary for Industry has appointed Sir William Barlow as chairman of the DESIGN COUNCIL. He will succeed Viscount Caledon, whose term of appointment ends on July 31.

Mr. R. M. Allison, formerly chief engineer of the Scottish division of the British Steel Corporation, has been appointed to the Board of F. J. C. Lilley.

Mr. Hugh Lang, chairman of E International, has been appointed to the Industrial Policy Committee of the CONFEDERATION OF BRITISH INDUSTRY.

Mr. R. G. Hanna is to give up his duties as an executive director of SCOTTISH WESTERN TRUST COMPANY on September 1 when he will join the associated company CITY OF ABERDEEN LAND ASSOCIATION. He will remain a non-executive of Scottish Western.

Mr. Gordon M. Bain, sales manager of Tyresavers Great Britain, has been elected deputy vice-president of the NATIONAL TYRE DISTRIBUTORS' ASSOCIATION.

The Energy Secretary has appointed Mr. John Dent and Mr. John R. Potts as part-time members of the NATIONAL BOAT BOARD for three years. Mr. Dent is managing director of Bunko Limited, having been with the Dunlop Group since 1968. Mr. Potts is group financial director of the Hogg Robinson Group. Mr. F. Holloway has resigned his part-time membership of the Board.

Mr. I. M. Calvo-Crespo has been elected a director of HEDDERWICK STIRLING GRUMBART & CO., stockbrokers.

Mr. Terence P. Goddard and Mr. Kevin P. Jones have become directors of NOTECARE and Mr. Kenneth Gaskell, Financial Controller.

A number of senior appointments is announced by RIVER AND SEA CABIONS (LONDON) LTD. Mr. D. J. Bristow, technical director, becomes deputy managing director, and Mr. Brian Marden, technical manager, is promoted to technical director. Mr. Roger Chapman takes over as managing UK division in place of Mr. A. D. Crowhurst, who becomes senior marketing executive in U.S. associate, Maccacferri Gabions Inc.

Following the retirement of Mr. Roy McPherson, Mr. Peter Thwait is appointed joint managing director of UAC INTERNATIONAL from August 1.

NATIONAL SUPPLY COMPANY (an ARMO company), oilfield equipment manufacturer, has promoted Mr. Don A. Swarner to managing director. London. He will have marketing responsibility for the UK for the company's drilling equipment line and succeeds Mr. Donald W. Wegelung, who transfers to the company's Houston, Texas, headquarters.

Mr. Nicholas Horsley has been appointed president of the DARTY TRADE FEDERATION. He succeeds Mr. John Trewartha, who has resigned on his appointment as chief executive of the hotels and catering division of Grand Metropolitan. Mr. Ben Davies, a director of Umatia, has been elected vice-president to join Mr. Stan Sugata, group director, manager. The London Co-op Society, Mr. A. R. Good, chairman of Executive, has been elected chairman of the Darty Trade Federation's research policy committee. Mr. Horsley is chairman

of Northern Foods, Hull. He begins his second term of office as president of the Federation on August 1.

AIR PRODUCTS has appointed Mr. R. J. S. Dickins to the Board. He is European personnel director.

Mr. Douglas C. Cornwall has been appointed president of NATIONAL ADVANCED SYSTEMS (EUROPE) CORPORATION.

Mr. Victor Gauntlett, chairman and managing director of Pace Petroleum and a keen motor sport enthusiast and competitor, has become a director and shareholder of ASTON MARTIN LAGONDA.

Mr. Ray Wilson is appointed to the Board of THE MATFIELD PRESS.

Mr. William Menhinick, financial controller of the SOUTH SUBURBAN CO-OPERATIVE SOCIETY for the past nine years, has been appointed deputy chief executive.

AMERICAN EXPRESS has appointed Mr. Alberto Modolo as regional vice president, travel, UK/Ireland and South Africa, based in London. In the travellers cheque division, Mr. David Cameron-Moore, based in London, is promoted to the new position of vice president-marketing and sales, Europe, Middle East and Africa.

Mr. C. S. Gill has been appointed regional director of the London office of WIMPEY CONSTRUCTION UK. Mr. K. Wadsworth has been appointed regional director of the company's Southampton office.

Mr. Adam R. Fleming has been appointed a director of ROBERT FLEMING INVESTMENT MANAGEMENT from August 1. He was formerly a director of Jardine Fleming Hong Kong.

Mr. H. A. Meekins, managing director of THE TORRINGTON COMPANY, succeeds Mr. F. I. H. Wood as chairman on July 31.

Mr. John F. Johnson has been elected vice president of INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION. Mr. Johnson is group general manager ITT north group of telephone equipment manufacturing companies, and will continue in his present position.

Mr. Neil H. L. Flitton has been appointed director of AUSTIN REEVE GROUP. He is managing director of Chester Barrie, a wholly-owned subsidiary.

AVIATION AND GENERAL INSURANCE CO. has appointed Mr. P. H. Tyler as superintendent, claims section, underwriting services department. Mr. R. H. Peet has retired from the chairmanship, but retains his seat on the Board. Mr. D. S. Craighero, formerly deputy chairman, has been elected chairman and Mr. P. R. Dugdale deputy chairman.

Mr. C. Pollard retires as treasurer and secretary and Mr. A. M. Olliphant becomes company secretary on August 1.

Mr. Peter Yates, director and general manager of Lister Diesel GmbH, Germany, is appointed to the new post of resident director of all European subsidiary companies of R. A. Lister, a Hawker Siddeley company. Mr. Yates, who is based at Troisdorf, near Cologne, is now responsible for co-ordinating operations of Societe Lister and Cie, France, and R. A. Lister and Cie, Belgium, in addition to Lister Diesel GmbH.

Mr. Norman J. Birch, managing director of NATIONAL STANDARD COMPANY, has been promoted to group vice president of international operations.

Mr. R. J. Harman has been appointed director and deputy general manager of SMITHS INDUSTRIES Basingstoke division in succession to Mr. H. W. Davis.

Mr. David West has been appointed production director of IPC BUSINESS PRESS. Since 1976 he has been commercial director of the general magazines group in IPC Magazines. He takes up his new post on August 4.

MOLEX ELECTRONICS has appointed Mr. J. Young to the main Board, coincident with his promotion to general manager.

Mr. Alan Newton, engineering director and Mr. Trevor Salt, manufacturing director, have been appointed to the Board of ROLLS-ROYCE, the aero engine company. Mr. Salt joined the company in 1941 and Mr. Newton in 1937, both as apprentices.

Mr. P. F. Hamilton has been appointed to the Board of BLACK AND DECKER. He also becomes general manager of the UK company.

Mr. Peter C. F. Hickson, is the new financial controller of TARMAC's building products division. He succeeds Mr. Peter Gee. Mr. Hickson joins Tarmac from Wimpey Asphalt, where he was finance director.

Mr. Michael L. Runeman, who is in charge of BANKERS TRUST COMPANY's representative office in Frankfurt, has been promoted to vice president. He joined the company in London in 1971.

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July 28 Aug. 7 Aug. 8 Aug. 18
Aug. 21 Aug. 28 Aug. 29 Sept. 8
New time dealings may take
place from 9 am two business days
earlier.

Using today's bargains as a measure, stock markets made the quietest start to a new trading Account since June 2. No follow-through buying supported the modest mark-up in last Friday's late dealings and the easier tone at yesterday's start was added in a loss of 2.7 in the 10 am calculation of the FT 30-share index; the fall was extended to 3.9 an hour later. Overall values of the leaders held around the lower levels until after the 3.30 pm official close when a slight improvement left the final index only 1.4 off at 455.9.

Gilt-edged were again unimpaired, but short-dated stocks saw a reasonable trade and closed up to a better, after while longer maturities also ended higher, by up to 1.5 after having shown small falls in selected issues at the opening.

The medium tap Exchange 111 per cent 1991 A rose to 220.4 for the £20-paid stock. The Government Securities index, at 72.26, picked up 0.10 of the two-day fall of 0.33 recorded at the end of last week.

The equity sectors were featured by renewed weakness in leading Banks and secondary Oils, the former still following disappointment in interim statements from Lloyds and Midland and the latter by renewed offerings in an unwilling market depressed by the downgrading of some recently high-flying exploration issues. However, both sectors closed well above the worst—largely unchanged in the 10 am calculation of the FT 30-share index; the fall was extended to 3.9 an hour later. Overall values of the leaders held around the lower levels until after the 3.30 pm official close when a slight improvement left the final index only 1.4 off at 455.9.

Lloyds and BP which recorded 166 and 135 deals respectively. Oil market conditions were against yesterday's newsworthy Mariner which opened at 153p, compared with the offer for sale price of 160p, and dipped to 140p before closing at 145p.

Banks dip & rally
After sustaining double-figure falls on Friday in reaction to Midland's disappointing interim figures, the major clearing continued to drift lower following comment on Midland's results and on nervousness ahead of today's first-half figures from NatWest. However, prices rallied sharply after-hours and NatWest closed unchanged at 350p, while double-figure losses in Oils were generally reversed.

A reaction in the price of gold bullion was reflected in South African gold shares and in the Gold Mines index which, at 378.1, gave up 5.5 of last week's advance of 28.1.

Demand for Traded options was again subdued by recent activity with only 778 contracts arranged, well below last week's daily average of 1,336. Reasonably active issues included

Leaders, Harris Queensway shed 4 at 138p, while Grattan Warehouses closed a couple of pence down at 64p, but support was noted for J. Hepworth, 3 better at 81p, and for recently dull Lee Cooper, 5 up at 120p.

Electricals passed a quiet session and generally closed with a firm bias. Derritren hardened a couple of pence to 30p in response to an investment recommendation, while Ward and Goldstone put on 2 to 66p, after 62p, following the preliminary results.

Henry Wigfall added 6 to 170p and Lloyds, in a right form, closed 6 to 360p at 357p with the new nil-paid at 285p premium.

The overwhelming vote by shareholders in favour of the merger with Rolls-Royce unsettled Vickers which eased from 138p to close a net 2 down at 133p. RR closed unaltered at 85p.

Tubes lost 4 to 260p ahead of interim figures due on August 6. Secondary Engineers were featured by a rise of 15 to 280p in Yarrow on compensation hopes, while Anderson's trade-clyde put on 3 to 100p following recommendation.

Hampson edged forward a penny to 10p in response to higher profits and dividend and the proposed 10 per cent scrip-issue. Wolesey Hughes, on the other hand, remained flat at 22p, after a fall further to 23p, after 235p.

Feedex wanted
Foods were bereft of noteworthy features. Small mixed changes were the order of the day, topped by Salunary, down 2 at 430p, and Associated Dairies, at much harder at 185p. The chairman's warning of a difficult first half year's trading caused Tesco to ease the turn to 55p.

A Press suggestion that the company might be the subject of a bid, spurred by ICI, injected fresh life into the recently flat Feedex Agricultural which touched 45p before closing 6 up on balance at 46p. Elsewhere in miscellaneous Industrials, Fams and Whites put on 5 to 140p following Press comment and Standard Fireworks added 3 to 89p for a similar reason. Speculative support in a thin market left Applied Computer 15 higher at 410p, while reflecting Arm Far-Eastern's advances, Heston Whamoa finally gained a penny to 145p, after 140p, Edinburgh Securities lost 5 to 156p. Elsewhere

ward a penny to 40p in front of today's interim results, but the general setback in the secondary oil market led to a reaction of 7 to 133p in National Carbide. Still awaiting news of the Government's decision on the Inland Revenue computer contract, ICL gave up 3 to 185p, after 163p. Dealings in Wilkinson Match, 180p, were suspended at the company's request pending an announcement. Alexander Russell finished unaltered at 80p; the price in recent issues was incorrect, the shares having closed at 85p last Thursday.

Among the narrowly missed leaders, Reed International softened a penny to 193p ahead of tomorrow's first quarter figures.

Thoughts that the Department of Trade investigation into nominee shareholdings may preclude an offer for the company clipped 4 from Dunlop, 77p. Other Motor components also trended to lower levels with Dewy closing 4 off at 219p and Flight Refuelling falling 10 to 273p, the latter on profit-taking. Scattered support was noted for Supra 3 up at 72p.

Leading Properties enjoyed late support and MEPC, which had earlier slipped to 222p despite a favourable newspaper mention, recovered to 228p for a net gain of 3. Likewise, Land Securities improved 2 to 369p, after 357p, and British Land closed similarly better at 89p.

Adverse Press mention made a heavy toll on McInerney, down 10 at 34p in a restricted market. McKay Securities are quoted for rights and ex dividend at 150p with the new nil-paid shares at 30p premium.

Oils volatile
Speculative North Sea Oils began the day badly and soon incurred sizeable losses on renewed profit-taking and a little more forced selling. However, the tendency faded and late in the day the falls were reduced and in many cases erased completely. LASMO closed 11 down at 62p, after 73p, while Arco fell 14 lower at 430p, after 406p, while Berkeley regained an early loss of 13 to end unaltered at 180p. Similarly, Canadeca picked up from 170p to equal Friday's close of 182p and Carless Cap finally gained a penny to 145p, after 140p, Edinburgh Securities lost 5 to 156p. Elsewhere

Premier were quoted ex scrip issue at 78p. Leading Oils fluctuated narrowly and British Petroleum finished unchanged at 348p, after 344p, while Shell picked up 2 at 412p. Among Australians, Moonie Oil responded to Press comment with rise of a point to £134.

A dull market last week, Incheape announced preliminary results in line with market expectations and buoyant current-year trade and rallied 16 to 433p. Elsewhere in Overseas Traders, Lomaha added 3 to 106p, the nil-paid firm 2 to 241p premium.

The shake-out in Oils unsettled Investment Trusts with Resources eased 3 to 113p, while Atlantic Assets ended 6 down at 186p. Elsewhere, Rothschilds, 331p and Altifund Capital, 262p both dipped around 7. Among Financials, Press comment aided Hampton Trust, 4 better at 66p.

With the exception of Sirar, 3 up to 597p, on speculative interest, Textiles usually closed a shade easier. Further consideration of the annual loss and lack of a final dividend clipped 2 more from Harold Ingram.

Subdued mines
Mining markets opened the morning with a subdued tone. The fall of 36 to 844.5 per ounce in the bullion price contributed to slight declines in gold shares, leaving the Gold Mines index 5.5 lower at 378.1.

South African Golds drifted lower on the back of the fall in the price of the metal, but rallied to close above the worst. Falls in the heavyweights ranged between 1 and 1 in West Driefontein, 237.1, and East Driefontein, 231.1, and Hartbeestfontein, 229.1.

Among lighter-priced issues, Anglo American fell 10 to 597p, Anglo 13 to 712p, and Doornfontein and Welkom 8 apiece to 827p and 808p respectively.

South African Financials lost ground in sympathy with Gold Fields of South Africa; weaker at 244.1 and "Amgold" down by a similar amount to 540.1. De Beers eased 4 to 424p.

London Financials also declined slightly, in line with the gold price. Consolidated Gold Fields lost 5 to 525p, Charter Consolidated 2 to 215p and Rio Tinto-Zinc 2 to 465p.

Australian Golds were mostly weaker following the fall in bullion, with Gold Mines of Kalgoorlie particularly affected at 414p, down 6. In Diamonds, news of the partial agreement with aboriginal interests over the Ashton venture lifted Ashton

FINANCIAL TIMES STOCK INDICES

	July 28	July 25	July 24	July 23	July 22	July 21	July 20
Government Secs.	72.26	72.16	72.34	72.49	72.54	72.54	72.49
Fixed Interest	72.63	74.07	74.06	72.98	72.84	72.78	72.82
Industrial	455.9	457.5	457.0	456.0	456.0	456.0	456.0
Gold Mines	378.1	383.6	377.8	378.7	361.5	358.8	358.8
Ord. Div. Yield	7.49	7.44	7.44	7.44	7.44	7.44	7.44
Earnings, Yld. 3 (100)	17.94	18.09	18.09	18.09	18.09	17.72	17.72
P/E Ratio (100)	6.78	6.66	6.67	6.66	6.66	6.66	6.66
Total Bargains	20,713	23,698	23,655	23,663	24,208	24,208	24,208
Equity turnover £m.	141.18	139.96	139.23	135.21	137.53	137.10	137.10
Equity bargains total	17,758	16,193	16,510	17,448	16,406	16,406	16,406

10 am 484.6, 11 am 483.4, Noon 483.9, 1 pm 483.7, 2 pm 483.9, 3 pm 483.9.
Latest index 01-245 8028.
*Nil-6.28.

Base 100 Govts. Secs. 15/10/78. Fixed Int. 10/28. Industrial Div. 17/75. Gold Mines 12/8/75. SE Activity July-Dec. 1942.

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Option	Exercise	Closing	Vol.	Closing	Vol.	Closing	Vol.	Equity
		offer		offer		offer		close
BP	300	60	76	10	48	—	—	347p
BP	390	26	38	27	48	—	—	—
BP	490	15	20	—	—	—	—	—
Com. Union	140	20	93	—	28	—	—	160p
Com. Union	160	3	83	—	16	—	—	—
Com. Gold	300	3	11	—	—	—	—	524p
Com. Gold	600	18	1	30	—	—	—	—
Courtauld	70	1	10	10	14	—	—	66p
Courtauld	80	2	1	—	—	—	—	—
GE	900	15	1	36	—	—	—	466p
Grand Met.	140	10	8	18	24	—	—	166p
Grand Met.	180	4	9	11	15	—	—	—
ICI	330	48	58	8	48	—	—	366p
ICI	360	27	25	8	48	—	—	—
ICI	420	1	10	6	—	—	—	—
ICI	480	3	10	—	—	—	—	—
Land Secs.	350	39	7	51	—	—	—	862p
Land Secs.	400	11	12	15	—	—	—	—
Land Secs.	450	6	11	—	—	—	—	—
Land Secs.	500	6	11	—	—	—	—	—
Shell	360	62	1	78	—	—	—	411p
Shell	390	40	1	78	—	—	—	—
Shell	420	25	30	—	48	—	—	—
Shell	460	15	21	62	32	—	—	14
Totals	354	62	178	14	—	—	—	—

Option	Exercise	Closing	Vol.	Closing	Vol.	Closing	Vol.	Equity
		offer		offer		offer		close
Imperial Gp.	70	12	20	13	16	—	—	80p
Imperial Gp.	80	4	—	24	—	—	—	—
Imperial Gp.	90	1	—	24	—	—	—	—
Imperial Gp								

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FINANCIAL TIMES

Tuesday July 29 1980

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Bundesbank 'easing of monetary policy'

By Kevin Dene in Frankfurt

THE Bundesbank, the West German Central Bank, is to pump DM 5bn (£1.2bn) extra liquidity into the West German banking system this week in what Herr Karl Otto Pöhl, Bundesbank president, described yesterday as "a very careful easing of monetary policy."

In a detailed defence of Central Bank actions this year he ruled out any sharp change of course and made it clear that the Bundesbank is still prepared to hold at present levels the key discount rate and the Lombard rate (at which it lends funds to banks against securities). The slowing domestic economic activity in the second half of this year gave no grounds for a sudden relaxation of monetary policy.

Any move to lower interest rates, which since May 2 have been standing at a record level, only once before in 1970, would tend to be "irreversible," said Herr Pöhl. By contrast, measures to improve bank liquidity were "elastic" and could be better tailored to fit developments in the financial markets.

Herr Pöhl said the Bundesbank's overriding goal was to control the money supply and that the Central Bank's interest rates were only instruments to achieve this goal.

Money market rates had been falling since May without action from the Bundesbank. With the latest increase in liquidity it was hoped to bring short-term rates at least in line with the Lombard rate—currently at 9.5 per cent—or below.

Lombard credit should be reserved for its traditional role of offering the banks very short-term bridging funds, said Herr Pöhl. The Bundesbank has been concerned that banks had taken as much as DM 6bn in Lombard credit in July and that this could rise to as much as DM 7bn in August.

Its latest liquidity action, in which around DM 5bn will be made available against securities deposited by the banks with the Bundesbank, will be offered for 25 days at an annual interest rate of 9.2 per cent. A similar action launched earlier this month to provide DM 3.8bn expires next week.

Reaction in the financial markets will be carefully watched before the Bundesbank makes any further move. Its policy-making Council next meets on August 21 and some further action will be needed to ease bank liquidity as the DM 5bn advance will expire before the end of August. However, instead of immediately lowering the Lombard rate, the Central Bank could again choose to take temporary market actions.

Herr Pöhl admitted that earlier this year the Bundesbank had suffered considerable "headaches" over the financing of this year's current account deficit, likely to be some DM 25bn, more than double last year's deficit of DM 10bn.

The latest figures released yesterday by the Federal Statistical Office show that the deficit in the balance of payments current account in the first six months was DM 12.3bn, compared with a surplus of DM 0.9bn in the first half of 1979.

There was at least no worsening in the trade account in June, which showed a surplus of DM 0.3bn, the same figure as in May. Pöhl grounds for optimism, Page 3

Editorial comment, Page 18

Iranian parliament to discuss hostages

By Patrick Cockburn in Tehran

A SENIOR Iranian politician said yesterday the death of the Shah would make an important difference to the fate of the U.S. hostages.

In a marked change of tone from previous statements by influential members of the ruling hierarchy, Mr. Akbar Hashemi-Rafsanjani, the speaker of the new Parliament, said yesterday a parliamentary commission would start to consider the hostages next week.

Mr. Hashemi-Rafsanjani is the second most important leader of the clergy-dominated Islamic Revolutionary Party, which has a majority in Parliament.

Since Ayatollah Khomeini, Iran's revolutionary leader, has said the future of the hostages is to be decided by Parliament, the attitude of the party is vital to the future of the hostages.

Other political leaders have contented themselves with ritualistic assertions that the Shah's death makes no difference.

"That is the safest thing to say at the moment," one politician said last night.

The remaining 52 American captives in Tehran have now been held since the U.S. embassy was stormed last November 4.

The commission is likely to consider whether some of the hostages should go on trial for espionage.

Attention is now shifting towards the return of the Shah's fortune.

"Undoubtedly the condition for freeing the hostages should be the return of all his wealth," the Oil Minister, Mr. Ali Akbar Moftakhar, said yesterday.

The Parliament could possibly give Washington a precise figure for the Shah's assets which it wants returned to Iran.

Some Government leaders fear release of the hostages would be followed by massive retaliation from the U.S., which cannot be unleashed while the diplomats are held captive.

But any move by Parliament on the hostages is likely to be delayed by the struggle between the party and Mr. Abol Hassan Bani-Sadr, the Iranian President, on the choice of a new Government.

The President and Parliament yesterday agreed to set up a commission which will include a representative of Ayatollah Khomeini, to discuss candidates for the prime ministership and the Cabinet.

Iran's oil income in the four months since March 21 was \$5.2bn, the Oil Ministry has said.

Last month's income was \$864m from average exports of \$200m b/d, which would imply a total oil income of \$12 to \$13bn total oil income for 1980.

Takeovers of U.S. banks meet political opposition

By Jan Hargreaves in New York

MANOEUVRING among U.S. Congressmen over a possible temporary ban on foreign takeovers of U.S. banks appeared to be coming to a head yesterday.

With three important foreign takeovers, including the \$823m (€343m) Midland Bank-Crocker National deal, in the pipeline, aides to Senator John Heinz of Pennsylvania said the senator would decide in the next two days whether to press for a moratorium on such mergers.

Senator Heinz persuaded the Senate banking committee to launch a three-month moratorium in 1979.

There are also moves afoot in the House to raise opposition to foreign bank takeovers, especially in the light of the Midland-Crocker proposal.

Representative Benjamin Rosenthal of New York, who heads a sub-committee of the House committee on government operations dealing with monetary affairs, has already opposed the Midland-Crocker deal and suggested a moratorium pending further investigation.

From the point of view of the foreign banks involved in the proposed acquisitions—Midland, First Arabian Corporation and a group of Arab investors which wants to take over Financial General Bankshares of Washington—the difficult process of obtaining regulatory approval is leading to a full-scale political minefield.

The furthest advanced of the three deals brought into question is that involving Financial General Bankshares, for which an Arab group headed by Sheikh Kamal Adham of Saudi Arabia is willing to pay \$148m. Last week, the bank holding company described the offer as adequate and said it would put the bid before federal and state regulators.

The other Arab bid, by the Luxembourg-based First Arabian, for Northern States Bancorp. of Detroit, was made only last week.

Valued at just under \$17m, it faces additional problems because First Arabian already controls a bank in the area and so could run into anti-trust difficulties. There is also a rival U.S. bidder, First American of Kalamazoo.

But the plum deal, and the one for which the congressmen will be gunning if they declare war, is Midland-Crocker.

Weather

UK TODAY
OUTBREAKS of thundery rain. Temperatures near normal.

London, S.E. England, E. Anglia, E. Midlands. Dry at first, sunny intervals. Thundery showers developing. Max. 25C (77F).

S.W., Channel Isles, S. Wales, W. Midlands. Mostly cloudy, outbreaks of rain with thunderstorms. Max. 20C (68F).

N.E. England. Sunny intervals. Possibly thundery showers later. Max. 25C (77F).

N. Wales, N.W. England, I. of Man, Ulster. Dry at first with sunny intervals. Thundery rain moving from South. Max. 23C (73F).

S.W. and Central Scotland. Mostly dry, sunny periods. Max. 24C (75F).

E. Scotland. Mostly dry. Near normal temps. Max. 20C (68F).

Outlook: Showers and thundery rain. Sunny intervals.

WORLDWIDE

Y'day
C° F°
Algeria S 31 88 Liban F 22 72
Algiers S 31 88 Locarno F 26 79
Amstam. S 24 75 London F 24 75
Athens S 30 86 Luxemb. F 24 75
Bahrain S 30 86 Luzon F 30 86
Beirut S 26 82 Madrid S 30 86
Belfast S 18 64 Malaga S 30 86
Belgrad. F 26 79 Malaga S 25 77
Bern S 23 73 Manila F 28 82
Brisbane S 32 90 M'chist F 33 91
Brussels F 21 70 Molina. F 13 55
Bucharest S 24 75 Naples S 30 86
Buenos. S 26 82 Milan F 23 73
Bulgaria F 23 73 Munich F 23 73
Bristol S 23 73 Nairobi F 16 60
Brussels S 24 75 Naples S 30 86
Budapest F 25 77 Newcl. F 22 72
Cairo S 31 88 Nicosia S 24 75
Calcutta S 31 88 Oporto S 20 68
Canton S 27 81 Paris F 20 68
Cebu S 31 88 Perth F 18 61
Cologne S 24 75 Prague S 19 66
Colombo S 23 73 Reykjav. S 13 55
Cork S 26 82 Rhodes S 29 84
Cristobal S 19 66 Rio J'c S 25 77
Dhaka S 28 82 Rome S 27 81
Dhaka S 19 64 Salzburg S 29 84
Doha S 31 88 Singapore S 31 87
Frankfurt S 24 75 Stockholm S 25 77
Geneva S 24 75 Sydney F 16 61
Glasgow S 23 73 Taipei S 27 81
Gibraltar S 25 77 Tel Aviv S 29 84
Glasgow S 20 68 T'el Aviv S 29 84
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Innsbruck S 26 79 Valencia S 28 82
Istanbul S 24 75 Venice S 28 82
Istanbul S 31 88 Vienna F 22 72
Jersey S 23 73 Warsaw F 22 72
Lima S 23 73 Zurich S 22 72
London S 23 73
C. Cloudy, F. Fog, S. Snow, S. Sunny, S. Storm, S. Snow.

AUEW rejects laggards compromise

By Nick Garnett, Labour Staff

THE TUC's struggle to keep the inter-union dispute over the Isle of Grain under some sort of control suffered a further blow yesterday when one of the unions involved rejected its compromise proposals.

The TUC formally advised the unions last week that they should accept the proposals.

Mr. Len Murray, the TUC general secretary, told them that unless they did the general council would consider whether to start procedures which could lead to their eventual suspension.

The executive of the Amalgamated Union of Engineering Workers' construction section decided yesterday, in spite of this warning, that the proposals were unacceptable.

Mr. John Baldwin, the section's general secretary, said his executive had taken the decision fully aware of its possible consequences.

It would have liked to have been able to help the TUC and to improve relations between itself and the General and Municipal Workers Union, which traditionally organises thermal engineers known as laggards.

It had concluded, however, that the proposals would not solve the problem on the power station site, would lead to its closure and contained elements which his union could not accept. It has written to Mr. Murray explaining its position.

The Electrical and Plumbing Trades Union, which along with the AUEW has been supplying replacements for the original laggards, has not yet formally decided on the TUC formula. It appears, however, as if it will also reject.

The TUC proposals which have already been accepted by some unions, envisage the GMWU sending in replacements for those laggards brought in by the other unions. The dispute erupted over bonus payments for the original GMWU laggards.

If the GMWU replacements were sent, recently trained laggards from other unions would move to jobs for which they have been traditionally trained.

The AUEW construction sector decided this was unacceptable because it says there would be no jobs for these men to go to on the site.

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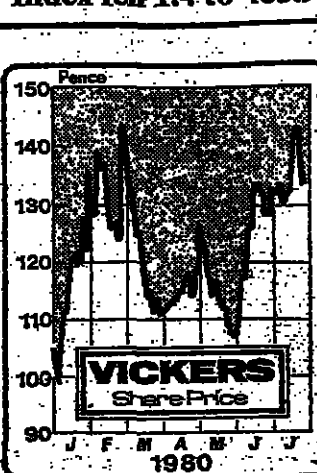
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THE LEX COLUMN

Vickers wins, but waits for cash

Index fell 1.4 to 485.9



Just 8 per cent of the shares of Vickers were voted against the merger with Rolls-Royce Motors, and while no more than a third were voted in favour of the deal goes through easily, to face only a last insubstantial hurdle of a possible reference to the Monopolies Commission.

In fact votes were cast in respect of only two-fifths of the shares, a figure which might either imply tacit approval on the part of the majority, or which could reflect simple apathy on the part of most shareholders. The stock market also seems to be a little bemused about the cash-rich/cash-hungry synergy of the Vickers-Rolls union, given that the Vickers share price is hardly changed since the deal was announced.

Just how cash-rich Vickers will be, of course, largely dependent on the resolution of the nationalisation compensation battle. The emergence of further delays here is a disappointment that will take a little of the edge off yesterday's voting success.

Having a financially strong partner like GEC can have its disadvantages, as Vickers is now finding. The joint negotiations over the 50-50 British Aircraft Corporation have now reached a point where Vickers is ready to settle but GEC is still playing a waiting game. On the table is an offer of around £95m to be split two ways. Allowing for interim payments, that would mean another £27.5m for Vickers plus backlog interest.

GEC agrees that no more money is likely to be squeezed out, on the basis of the existing legislation, and that there is no point in going to arbitration. But it is watching carefully for any sign of a change in the Government's attitude following the only narrow defeat in Parliament of a private member's bill two weeks ago calling for a new look at compensation terms. A statement on shipbuilding compensation is due from the Government within the next few days, though it is not clear whether this will be relevant to the BAC dispute.

The weapon GEC is holding in reserve is an action in the European Court claiming that the compensation terms were in breach of international law. This could be especially embarrassing coming at a time when the Government is hoping to sell part of British Aerospace back to the public. GEC will claim that a price of under £100m is unacceptable for a business which was making £54m pre-tax profits in 1977, the year it was taken over, Vickers would like to take the

money and then consider the European Court option later. GEC, however, is unlikely to do anything until the Government comes up with a decision, one way or the other, on whether it is willing to modify the legislation on compensation.

Inchcape

With the bulk of the Harbours commodity losses firmly in the past, Inchcape's pre-tax profits for the year have jumped 60 per cent to £65.6m. While this is in line with expectations, a bullish statement helped the share price gain 18p yesterday to 433p. Apart from the loss elimination, most of the buoyancy stems from a single company trading in South-East Asia, Inchcape Berhad, whose contribution has risen by about £11m. The key to this improvement lies with the Toyota distributorship, where a series of new models, a weak yen and favourable new shipping terms have done wonders for margins.

The relationship with Toyota has proved beneficial elsewhere than in South-East Asia. A strong performance by Pride and Clark in the UK has counterbalanced the halving of Mann Egerton's contribution. In fact the group's motor business now contributes 40 per cent of profits, up from 29 per cent the previous year.

In the current year the Far East and South East Asia are remaining strong. The improvement in the Nigerian economy is likely to have some impact on the African loss, while in Europe last year's remaining £1m of losses from Dutch commodity trading will move out of the comparison and there will be a full year's contribution from two new Toyota franchises. So pre-tax profits may approach £80m, to produce a prospective p/e of about 9, fully-taxed.

While the piggy bank has been one of the strongest in the world, having a powerful effect on the p. and l. account, the effect of the exposure is now smaller. Yesterday's announcement of a £40m bond, with the partial easing of financing expansion, is likely to herald attempts to boost non-motor interests of the company, presumably through American acquisitions.

Money markets

For the fourth time in six days, the Bank of England yesterday found itself using sale and repurchase operations on commercial bills, as the means of relieving the shortage in the money market, where interbank overnight money went to over 20 per cent. This is a reduction of the quantity of Treasury Bills in the hands of the discount market, since many bills at recent tenders have gone to outside banks, the houses do not have enough to sell to the central bank.

But to the extent that the discount houses are buying commercial bills for eventual sale to the Bank of England, non-banks or foreign banks, who will have acquired them during the period of the interest controls, they are bringing off-balance-sheet financing back into sterling.

The scale is considerable, brokers L. Messel point out that in the July banking month the Bank's holdings of "other securities" (mostly commercial bills) rose by nearly £600m. This must be one source of the rapid re-intermediation at which the Governor of the Bank has hinted. It also seems that companies which had borrowed through issuing bills, when the corset was on, are now switching back to overdraft finance as the bills run off, since they expect interest rates to fall.

Some brokers—Messel among them—believe that despite a high level of re-intermediation the July money supply figure will be satisfactory, largely because pledged sales will have far exceeded public financing needs. But it would not be surprising in any case to see the Bank of England stress its new money series for private sector liquidity—PSL1 and PSL2—which already contain commercial bill holdings outside the banks and will therefore not be affected by re-intermediation. These series may supply the excuse for the next cut in interest rates. They would not, however, have justified the last cut—PSL1 grew at an 18 per cent annual rate between February and June.

Vickers votes for Rolls merger

By Robert Cottrell

VICKERS shareholders have given overwhelming approval to the engineering group's proposed merger with Rolls-Royce Motors Holdings. But a special resolution to give directors of the merged company discretionary power to refuse any share registration which might place share under foreign control was withdrawn by the Vickers Board after shareholder protests at yesterday's extraordinary meeting.

The merger plan went through despite strong opposition from Mr. Walter Salomon, chairman of merchant bank Rea Brothers. Of the votes cast, at the meeting, 84.43 per cent were in favour of the merger, with only 15.57 per cent—including Mr. Salomon's undisclosed holding—against.

About 40 per cent of potential votes were cast. Sir Peter Matthews, Vickers' chairman, told the meeting that the new company would be called Vickers Ltd., not Rolls-

Vickers, not Royce Vickers as originally planned. The Rolls-Royce name would continue for the cars and diesel engines produced by the motor company.

The union of the two companies via Vickers' takeover of Rolls-Royce Motors would mean that "a strong international competitive position will be established to the mutual benefit of shareholders and employees," Sir Peter said.

Holders of 71 per cent of Rolls-Royce Motors Holdings shares had so far approved the merger, and more than 87 per cent of proxies received from Vickers shareholders before yesterday's meeting were in favour.

Mr. Salomon's proposal that the meeting be adjourned for four weeks for further consideration was defeated on a show of hands. He called the merger a "rape" for Vickers shareholders and a "fabulous deal" for Rolls-Royce shareholders. He would continue his fight

A special resolution, designed to establish as "a cardinal principle of the company that it should not come under foreign control" by giving the directors absolute discretion to decline any shareholder registration, was withdrawn by the Vickers Board after protest from shareholders including Mr. Salomon.

The board declined comment after the meeting on its further intentions in this area. Sir Peter said that his board's hopes of settling compensation earlier this month for the nationalisation of its aerospace business had been frustrated. But he stood by the guidance on compensation given to shareholders in the circulated merger documents.

Vickers shares closed 2p down yesterday at 133p, with Rolls-Royce Motors at an unchanged 65p. The one-for-two all-share bid values Rolls at £39m. The question of possible referral of the deal to the Monopolies and Mergers Commission is under

consideration by the Office of Fair Trading.

Vickers' inability to announce a much-hinted-at settlement in respect of the nationalisation of the British Aircraft Corporation is understood to derive at least in part from a disagreement with GEC, its equal partner in BAC, about how much further the matter can usefully be pressed.

The Government is believed to have made a final offer of around £95m to the two companies, less than half the £200m mooted by GEC as an adequate settlement in 1977, when BAC was nationalised.

Vickers' hints at its annual meeting last month that a settlement was in sight apparently derived from its willingness to accept such an offer.

GEC, however, has substantial cash reserves and is holding out in the hope of a change of attitude by the Government.

Vickers has told its shareholders they can expect about £36m more in compensation.

In 1953 two men walked alone to Everest's summit. It took hundreds more to get them there.



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